Quality Diversity Expansion

2003 Annual Report

Boardwalk Equities Inc.

BOARDWALK RENTAL COMMUNITIES

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Corporate Profile

Boardwalk Equities Inc. is Canada's largest owner/operator of multi-family rental communities. Boardwalk currently owns in excess of 250 properties with over 31,400 units totalling approximately 26 million net rentable square feet. The Company's portfolio is concentrated in the Provinces of Alberta, Saskatchewan, Ontario and Quebec.

Boardwalk's common shares are listed on the Toronto Stock Exchange, trading under the symbol BEI. The Company's total market capitalization at December 31, 2003 was $2.3 billion.

On April 28, 2004, Boardwalk's Shareholders will vote on the previously announced proposal to convert the Company into a Real Estate Investment Trust (REIT). Upon completion of the conversion, Boardwalk will rank among the largest REITs in Canada with an equity market capitalization of approximately $1 billion.

Our Mission

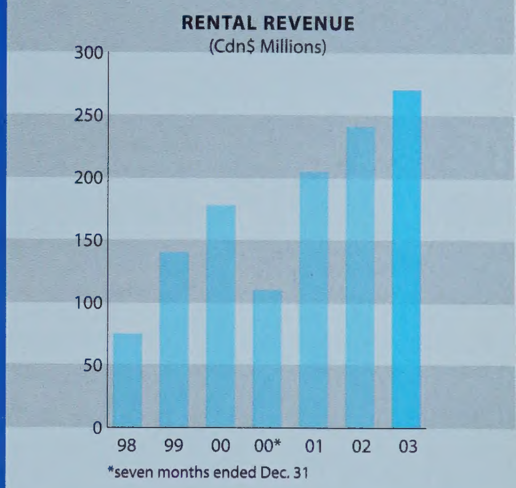
Boardwalk's Mission is "to serve and provide our residents with quality rental communities".

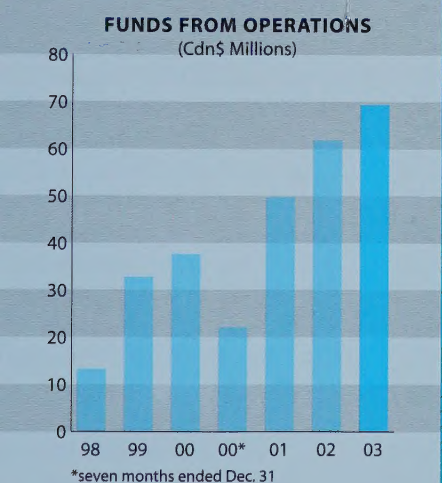
2003 Highlights

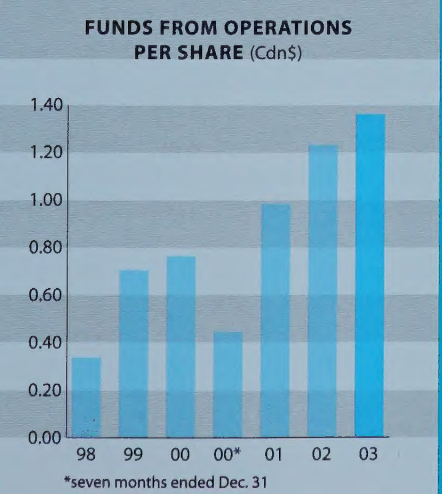
Operating Results

- Increased rental revenues by 12.2% to $271 million
- Increased NOI by 8.2% to $176 million
- Increased FFO, excluding gains, by 12.1% to $70 million
- Increased FFO per share, excluding gains, by 10.5% to $1.37
- Same-property rental revenues rose by 2.1% and same-property NOI increased by 1.5%*

*excluding one-time, non-recurring utility rebate in 2002







Growth

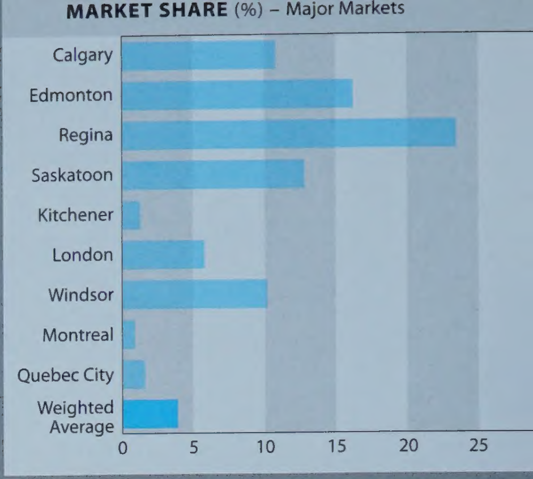
- Completed over $100 million of acquisitions
- Acquisitions totalled 1,956 units, increasing the portfolio by 6.6%
- Expanded geographic presence in Montreal and Quebec City, and entered the Gatineau/Hull market

Financing

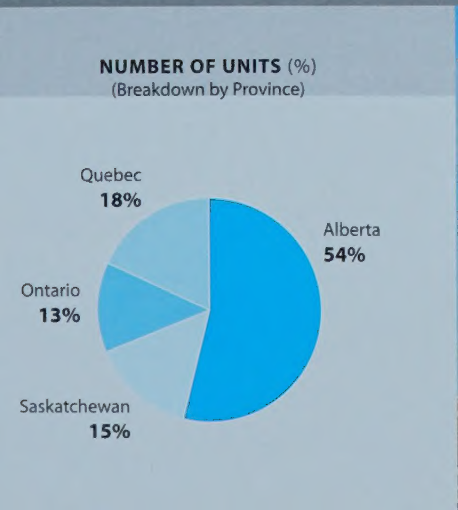
- Refinanced $177 million of mortgage debt, and reduced blended interest rate from 5.9% to 5.7%

Performance

- Common shares provided a 19.3% total return to investors


MARKET SHARE (%) – Major Markets
Calgary
Edmonton
Regina
Saskatoon
Kitchener
London
Windsor
Montreal
Quebec City
Weighted Average
0
5
10
15
20
25


Grand Prairie
401 units
1.3% of portfolio
Fort McMurray
352 units
1.1% of portfolio
Edmonton
10,553 units
33.6% of portfolio
Red Deer
851 units
2.7% of portfolio
Saskatoon
1,988 units
6.3% of portfolio
Airdrie
163 units
0.5% of portfolio
Regina
2,672 units
8.5% of portfolio
Quebec City
1,178 units
3.7% of portfolio
Gatineau/Hull
321 units
1.0% of portfolio
Banff
76 units
0.2% of portfolio
Calgary
4,648 units
14.8% of portfolio
London
2,256 units
7.2% of portfolio
Montreal
4,086 units
13.0% of portfolio
Kitchener
329 units
1.0% of portfolio
Windsor
1,551 units
4.9% of portfolio


NUMBER OF UNITS (%)
(Breakdown by Province)
Quebec
18%
Alberta
54%
Ontario
13%
Saskatchewan
15%

To our Shareholders

We are pleased to report that in 2003 Boardwalk achieved another year of record financial results.

The Company's portfolio continued to deliver solid operating results. This performance was driven in large part by our focus on operations and on the progress made in improving our portfolio occupancy levels. Our momentum was reflected, in particular, by our performance in the last six months of the year when we increased our portfolio occupancy by over 100 basis points.

This increase was a notable achievement, given the continued high level of activity in housing markets across the country and new housing construction being at a fifteen-year peak. Mortgage rates, which were close to their lowest levels in over forty years throughout the year, more than offset the continued strength in house prices, making home ownership more affordable.

The Company continued to strategically expand its operations. In 2003, the Company completed the acquisition of close to 2,000 units, expanding our presence in major markets in Quebec.

As well, in 2003 Boardwalk delivered a total Shareholder return of 19.3%.

In an important step, in early 2004, the Company's Board of Directors unanimously approved a proposal to convert Boardwalk into a Real Estate Investment Trust (REIT), and Shareholder approval is anticipated during the second quarter of 2004. This conversion is aimed at enhancing Shareholder value and we believe it will provide a stronger platform to expand the Company's operations in the future.

FINANCIAL AND OPERATING HIGHLIGHTS

Highlights of the Company's 2003 financial results include:

- Rental revenues of $271.0 million, an increase of 12.2% compared to 2002.
- Net operating income (NOI) of $176.2 million, representing a 8.2% increase.
- Funds From Operations (FFO), excluding property sales, of $69.5 million, an increase of 12.1%.
- FFO per share, excluding property sales, of $1.37 on a diluted basis, an increase of 10.5%.

Some portfolio highlights include:

- The overall portfolio occupancy rate for 2003 was 95.7%, up from 95.0% last year.
- At year-end, our portfolio occupancy rate was 95.9%, an increase from 94.6% at the end of 2002.
- The average monthly rent for 2003 was $734 per unit, an increase of $18, or 2.5%, from $716 per unit in the same period in 2002.
- For the year, "same-property" rental revenue grew by 2.1% on a year-over-year basis, operating expenses increased by 8.6%, and NOI decreased by 0.8%.
- For the twelve-month period, "same-property" rental revenues grew by 2.1%, and, excluding the impact of last-year's non-recurring gas utility rebate, operating expenses grew by 3.2% and NOI by 1.5%.

"The reason behind the REIT conversion is a simple one – to maximize Shareholder value and position Boardwalk for continued growth over the longer term."

The Company's portfolio continued to deliver solid operating results, notwithstanding the ongoing strength and level of activity in housing markets across the country.

Our strong emphasis on operations proved particularly important and was a key contributor to our performance.

CONTINUING TO EXPAND AND DIVERSIFY OUR PORTFOLIO

We continued to expand our geographic platform in 2003, entering into the Gatineau/Ottawa market area, and strengthening our presence in the Montreal and Quebec City markets.

The Company completed the acquisition of a total of 1,956 units during the year at a total acquisition price of approximately $106 million. These acquisitions serve to continue to broaden and strengthen the Company's geographic platform in major markets in the Province of Quebec.

These acquisitions increased the Company's portfolio by approximately 7% over the year, to a total of just over 31,200 units at year-end.

We have completed the acquisition of several additional properties to date in 2004, further expanding our presence in Montreal and Quebec City.

We intend to continue to pursue growth through selective acquisitions, while maintaining a disciplined approach to evaluating such opportunities.

MAINTAINING OUR FINANCIAL STRENGTH

We also remain very focused on maintaining our strong financial position and healthy balance sheet.

At year-end of 2003, the Company's debt-to-total-market-capitalization ratio was 60.3%, compared with 63.2% at the end of 2002. The Company's coverage ratio of adjusted EBITDA to interest expense excluding gains improved to 2.0 times in 2003 which compares with 1.9 times in 2002.

With our strong balance sheet and access to capital, we continue to be well positioned to capitalize on future opportunities as they arise.

NEXT STEP IN OUR EVOLUTION – CONVERTING TO A REIT

In January of 2004, the Board of Directors unanimously approved a proposal to convert the Company into a REIT. Upon completion of the conversion, which is expected in early May, 2004, we will rank among the largest REITs in Canada, with an equity market capitalization of approximately $1 billion.

The reason behind the REIT conversion is a simple one – to maximize Shareholder value and to position Boardwalk for continued growth over the longer term.

A number of factors contributed to the attractiveness to convert Boardwalk into a REIT, with the main overriding goal being to enhance Shareholder value.

"As a REIT, Boardwalk's key objectives will be to generate stable cash distributions to Unitholders and to grow distributable income and distributions over time, and grow the long-term value of your investment."

These factors include:

- Monthly cash distributions are anticipated to provide an attractive return to Unitholders;
- The Company's diversified portfolio of multi-family rental properties provides a relatively stable cash flow which is well suited for a REIT structure;
- Boardwalk REIT involves a trust structure which will result in a higher level of cash distributions than would be available under the existing corporate structure of Boardwalk;
- A significant portion of Boardwalk REIT's distribution to Unitholders will be tax deferred;
- It is anticipated that the reorganization will provide Boardwalk REIT with greater access to the public capital markets to fund growth initiatives, lowering our cost of capital; and
- Boardwalk REIT would be the largest and most geographically diverse publicly traded apartment REIT in Canada.

On the day of our announcement in November, 2003, concerning our intent to pursue a conversion, our shares increased by over 12%, and have remained trading in a range that is materially higher than the share price trading range prior to the announcement.

As a REIT, Boardwalk's key objectives will be to generate stable cash distributions to Unitholders and to grow distributable income and distributions over time, and grow the long-term value of your investment.

SUMMARY AND OUTLOOK

Looking forward to 2004 and beyond, we are cautiously optimistic in terms of the outlook for our business. Our portfolio occupancy and rental operating trends have continued to improve, albeit at a more modest pace, in many of our key markets.

We believe the Company is well positioned to benefit from an improvement in the operating environment in the medium to longer term. Our high-quality portfolio is geographically concentrated in markets with attractive long-term fundamentals.

As we enter our tenth year as a public Company and our twentieth year from the founding of the Company, it is with pride that we look back at the significant growth and corporate accomplishments that we have made. Boardwalk has become the largest owner/manager of multi-family rental communities in Canada, with over 250 properties in thirteen cities across the country and a total market capitalization of $2.3 billion.

It is even more exciting looking toward the future. Going forward, with the conversion into a REIT and improved access to capital markets, while we will remain disciplined, we expect Boardwalk will continue to successfully identify and close future selective expansion opportunities.

In closing, we would like to thank our Board of Directors for their continued guidance. And we also like to acknowledge our team of talented and dedicated Associates across the country who have been instrumental in helping Boardwalk to get to where it is today.

We would also like to thank our many Shareholders for their continued support.

Sincerely,

Sam Kolias
President and C.E.O.
March 26, 2004

High-Quality Portfolio

Boardwalk has a high-quality portfolio. Over $300 million has been invested in capital improvements on the Company's properties over the past five years, which has significantly enhanced the overall quality of the portfolio.

Since 1998, Boardwalk has spent over $300 million on a wide variety of capital improvements including structural and equipment upgrades, interior and exterior property renovations and a wide variety of energy conservation programs.

These expenditures have included new boilers, windows, roofs, as well as renovated lobbies, hallways and in-suite upgrades including new bathrooms, kitchen cabinets, countertops and appliances.

These capital expenditures have served to increase resident retention, improve the competitive position of Boardwalk's properties and enhance the long-term value of the Company's portfolio.

With the vast majority of Boardwalk's planned capital expenditure program now completed, future capital expenditure requirements on the Company's existing portfolio has been significantly reduced.

The quality of the Company's portfolio has also been enhanced by the high quality of properties which Boardwalk has acquired over the past two years.

The Company was successful at identifying and acquiring some of the highest quality properties in both the Montreal and Quebec City markets, at what we consider to be attractive terms and at significant discounts to replacement costs.

The Company considers the quality of its portfolio to be a key competitive advantage, which it expects will allow it to outperform over the longer term.

Boardwalk has a high-quality, diversified portfolio. Over the past five years, Boardwalk has invested over $300 million in capital improvements, which has improved the portfolio's competitive positioning and long-term value.

Diversification

Boardwalk is Canada's largest owner/operator with a diversified portfolio located in thirteen cities across Canada. The Company has continued to increase the diversification of its portfolio, providing more stability and opportunities for future expansion.

There are some key advantages to having a well diversified portfolio and a significant presence in many key market areas.

Boardwalk's diversification provides a higher degree of stability to the Company and its operating results. In any given period, weakness in any local or regional areas tends to be balanced by other areas which are exhibiting stronger performance.

In addition, our local presence and expertise in many markets across the country positions the Company to quickly assess and react to any attractive growth opportunities which may arise.

Boardwalk's portfolio is well-positioned geographically. It is concentrated in some of the most attractive multi-family rental markets in the Country.

The majority of the Company's key markets exhibit above-average population and employment trends.

The Company's largest concentration is in the Province of Alberta, representing 54% of total units. Alberta is expected to continue to exhibit above-average economic growth in the next several years.

The Company's three largest markets are Edmonton, Calgary and Montreal, which collectively make up over 61% of the Company's total units. We believe that they all represent excellent multi-family markets with solid mid to long-term prospects, supported by favourable demographics and market demand trends.

This serves to enhance the prospects for the mid to longer-term performance of the Company's portfolio.

Boardwalk is the largest owner/operator of multi-family rental properties in Canada. It has over 31,400 units located in 13 cities in four provinces in Canada. Boardwalk has continued to strengthen its geographic platform and diversify its portfolio, with its expansion into major Quebec markets over the past two years.

Expansion

Boardwalk has continued to broaden and strengthen its portfolio through expansion into major new markets. Over the past two years, Boardwalk has made a significant expansion in the Province of Quebec, entering several major market areas.

Boardwalk has consistently expanded its geographic presence into additional market areas as attractive acquisition opportunities have arisen.

Since the time that Boardwalk became publicly traded in the mid-1990s, the Company has grown from approximately 2,500 units to over 31,000 units today. In that period, the Company expanded its operations from its original key markets in Alberta into major cities in Saskatchewan, Ontario and Quebec.

Over the past two years, Boardwalk has made a significant strategic entry into major markets in Quebec.

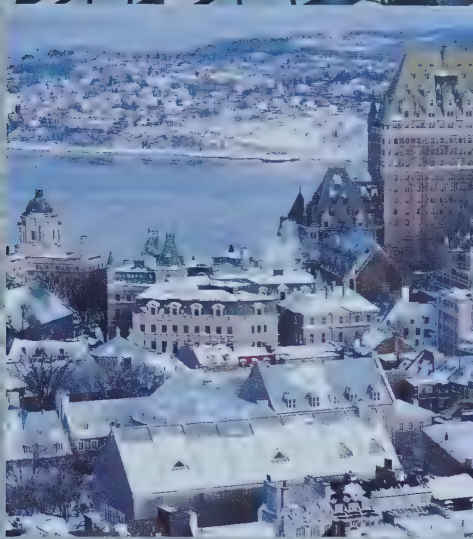
Boardwalk's Quebec expansion began in the first half of 2002 with the Company's acquisition of the 3,100-unit Nuns' Island portfolio, located just south of downtown Montreal.

This acquisition was a key strategic purchase as it gave the Company the platform, personnel and expertise from which to expand its operations in the Montreal market as well as into other markets in Quebec.

In the last half of 2002, Boardwalk made its first acquisition in Quebec City, and in early 2003 entered the Gatineau/Ottawa market.

Over the past 24 months, Boardwalk's portfolio in Quebec has grown to over 5,000 units, making the Company the largest landlord in the province, and making Quebec its second largest market.

Boardwalk will continue to assess expansion opportunities in its existing markets as well as selective new markets over time. The Company will continue, however, to be disciplined in its acquisition criteria.

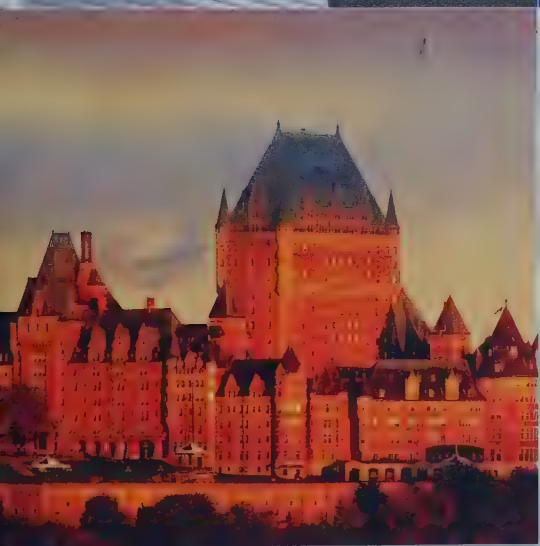


In a short period of time, Boardwalk has become the largest landlord in Montreal, the largest multi-family rental market in the country.

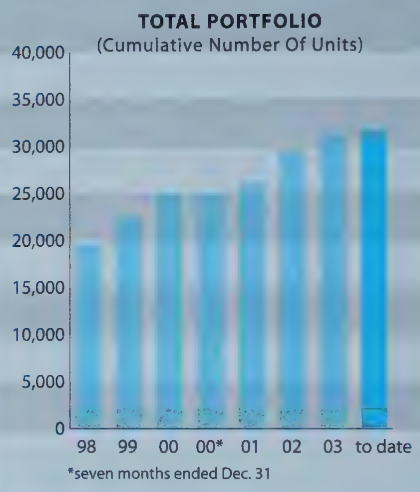
Since its first acquisition in the Montreal area – the 3,100-unit Nuns' Island portfolio – Boardwalk has continued adding to its portfolio, and at year-end had over 4,000 units in the market.

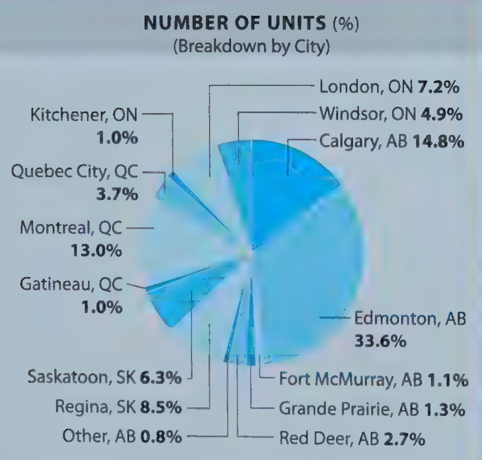
Boardwalk continued to expand its Quebec City portfolio in 2003, growing its presence to close to 1,000 units by year-end.

Boardwalk's high-quality portfolio includes Les Jardins de Merici (bottom right) and Le Laurier (top right and inset), both of which overlook the Plains of Abraham and look out onto the St. Lawrence River and are in close proximity to Old Quebec.



Portfolio Summary





Portfolio

Property	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Calgary, AB				
Beltline Towers	Highrise	115	80,424	699
Boardwalk Heights	Highrise	202	160,894	797
Brentview Towers	Highrise	239	151,440	634
Cedar Court Gardens	Townhouse	65	58,560	901
Centre Point West	Highrise	123	110,611	899
Century Towers	Highrise	90	73,411	816
Chateau Apartments	Highrise	145	110,545	762
Elbow Towers	Highrise	158	108,280	685
Flintridge Place	Highrise	68	55,023	809
Glamis Green	Townhouse	156	173,881	1,115
Glamorgan Manor	Garden	86	63,510	739
Heritage Gardens	Highrise	91	64,250	706
Hillside Estates	Garden	76	58,900	775
Lakeside Estates	Garden	89	77,732	873
Leighton House	Highrise	38	27,352	720
McKinnon Court	Garden	48	36,540	761
McKinnon Manor	Garden	60	43,740	729
Northwest Pointe	Garden	150	102,750	685
Oakhill	Townhouse	240	236,040	984
O'Neil Towers	Highrise	187	131,281	702
Patrician Village	Garden	392	295,600	754
Pineridge Apartments	Garden	76	52,275	688
Prominence Place	Garden	75	55,920	746
Radisson I	Townhouse	124	108,269	873
Radisson II	Townhouse	124	108,015	871
Radisson III	Townhouse	118	124,379	1,054
Ridgeview Gardens	Townhouse	160	151,080	944
Royal Park Plaza	Highrise	86	66,137	769
Russet Court	Townhouse	206	213,264	1,035
Skygate Tower	Highrise	142	113,350	798
Spruce Ridge Estates	Garden	284	196,464	692
Travois Apartments	Garden	89	61,350	689
Vista Gardens	Garden	100	121,040	1,210
Westwinds Village	Garden	180	137,815	766
Willow Park Gardens	Garden	66	44,563	675
		4,648	**3,774,685**	**812**
Edmonton, AB				
Alexander Plaza	Garden	252	203,740	809
Aspen Court	Garden	80	68,680	859
Boardwalk Arms A & B	Garden	78	64,340	825
Boardwalk Centre	Highrise	597	471,871	790
Boardwalk Village I II & III	Townhouse	255	258,150	1,012
Breton Manor	Garden	66	57,760	875
Briarwynd Court	Townhouse	172	144,896	842
Brookside Terrace	Garden	131	196,779	1,502
Cambrian Place	Garden	105	105,008	1,000
Camelot	Garden	64	54,625	854
Capital View Towers	Highrise	115	71,281	620
Carmen	Garden	64	54,625	854
Castle Court	Garden	89	93,950	1,056

Property	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Edmonton, AB *(continued)*				
Castleridge Estates	Townhouse	108	124,524	1,153
Cedarville	Garden	144	122,120	848
Christopher Arms	Garden	45	29,900	664
Corian Apartments	Garden	153	167,400	1,094
Deville Apartments	Highrise	66	47,700	723
Ermineskin Place	Highrise	226	181,788	804
Fairmont Village	Garden	424	362,184	854
Fontana	Highrise	62	40,820	658
Fort Garry House	Highrise	93	70,950	763
Galbraith House	Highrise	163	110,400	677
Garden Oaks	Garden	56	47,250	844
Granville	Townhouse	48	53,376	1,112
Greentree Village	Garden	192	156,000	813
Habitat Village	Townhouse	151	129,256	856
Imperial Tower	Highrise	138	112,050	812
Kew Place	Townhouse	108	105,776	979
Lansdowne Park	Highrise	62	48,473	782
Leewood	Garden	142	129,375	911
Lord Byron I II & III	Highrise	158	133,994	848
Lord Byron Townhomes	Townhouse	144	170,969	1,187
Lorelei House	Garden	78	65,870	845
Maple Gardens	Garden	181	163,840	905
Marlborough Manor	Garden	56	49,582	885
Maureen Manor	Highrise	91	64,918	713
Meadowside Estates	Garden	148	104,036	703
Meadowview Manor	Garden	348	284,490	818
Monterey Pointe	Garden	104	83,548	803
Morningside	Garden	220	165,562	753
Northridge Estates	Garden	180	103,270	574
Oak Tower	Highrise	70	51,852	741
Parkside Towers	Highrise	179	162,049	905
Parkview Estates	Townhouse	104	88,432	850
Pembroke Estates	Garden	198	198,360	1,002
Pinetree Village	Garden	142	106,740	752
Pointe West Townhouses	Townhouse	69	72,810	1,055
Primrose Lane Apartment	Garden	153	151,310	989
Prominence Place	Highrise	91	73,310	806
Redwood Court	Garden	116	107,680	928
Riverview Manor	Garden	81	62,092	767
Royal Heights	Highrise	74	41,550	562
Sandstone Pointe	Garden	81	83,800	1,035
Sir William Place	Garden	220	126,940	577
Solano House	Highrise	91	79,325	872
Southgate Tower	Highrise	170	153,385	902
Summerlea Place	Garden	39	43,297	1,110
Suncourt Place	Garden	62	55,144	889
Tamarack East and West	Townhouse	132	212,486	1,610
Terrace Gardens	Garden	114	101,980	895
Terrace Towers	Highrise	84	66,000	786
The Palisades	Highrise	94	77,200	821
The Westmount	Highrise	133	124,825	939

Portfolio

Property	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Edmonton, AB *(continued)*				
Tower Hill Apartments	Highrise	82	46,360	565
Tower on the Hill	Highrise	100	85,008	850
Valley Ridge Tower	Highrise	49	30,546	623
Victorian Arms	Garden	96	91,524	953
Viking Arms	Highrise	240	257,410	1,073
Village Acres	Garden	186	156,464	841
Village Plaza	Townhouse	68	65,280	960
Warwick Apartments	Garden	60	49,092	818
West Edmonton Court	Garden	82	73,209	893
Westborough Court	Garden	60	50,250	838
Westbrook Estates	Garden	172	148,616	864
Westmoreland Apartments	Garden	56	45,865	819
Westpark Ridge	Garden	102	99,280	973
Westridge Estates B	Garden	91	56,950	626
Westridge Estates C	Garden	90	56,950	633
Westridge Manor	Townhouse	64	69,038	1,079
Westwinds of Summerlea	Garden	48	53,872	1,122
Willow Glen Apartments	Garden	88	71,800	816
Wimbledon	Highrise	165	117,216	710
		10,553	**9,140,423**	**866**
Fort McMurray, AB				
Birchwood Manor	Garden	24	18,120	755
Chanteclair	Garden	79	68,138	863
Edelweiss Terrace Apts	Garden	32	27,226	851
Heatherton	Garden	23	16,750	728
Hillside Manor	Garden	30	21,248	708
Mallard Arms	Garden	36	30,497	847
McMurray Manor	Garden	44	30,350	690
The Granada	Garden	44	35,775	813
The Valencia	Garden	40	33,850	846
		352	**281,954**	**801**
London, ON				
Abbey Estates	Townhouse	53	59,794	1,128
Castlegrove Estates	Highrise	144	126,420	878
Forest City Estates	Highrise	272	221,000	813
Heritage Square	Garden/ Highrise	359	270,828	754
Landmark Tower	Highrise	213	173,400	814
Maple Ridge On The Parc	Highrise	257	247,166	962
Meadow Crest Apts	Garden	162	110,835	684
Noel Meadows	Garden	105	72,600	691
Ridgewood Estates	Townhouse	29	31,020	1,070
Sanford Apts	Highrise	96	77,594	808
The Bristol	Highrise	138	109,059	790
Topping Lane Towers	Highrise	189	177,880	941
Villages of Hyde Park	Townhouse	60	57,850	964
Westmount Ridge	Highrise	179	131,700	736
		2,256	**1,867,146**	**828**

Property	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Montreal, QC				
Cote-Vertu (St. Laurent, QC)	Midrise.	88	67,750	770
Domaine d'Iberville Apts (Longueuil, QC)	Highrise	720	560,880	779
Les Jardins Bourassa	Midrise	178	85,874	482
Nuns' Island Portfolio	Garden/ Highrise/ Townhouse	3,100	3,075,140	992
		4,086	**3,789,644**	**928**
Quebec City, QC				
Complexe Laudance (Sainte-Foy, QC)	Midrise	183	138,480	757
Le Laurier	Highrise	105	74,995	714
Les Appartements Du Verdier (Sainte-Foy, QC)	Garden	195	152,645	783
Les Jardins de Merici	Highrise	346	300,000	867
Place Charlesbourg	Midrise	108	82,624	787
Place du Parc	Highrise	111	81,746	737
Place Samuel de Champlain	Highrise	130	104,153	801
		1,178	**934,643**	**795**
Red Deer, AB				
Canyon Pointe Apartments	Garden	163	114,039	700
Cloverhill Terrace	Highrise	120	102,225	852
Inglewood Terrace	Garden	68	42,407	624
Riverbend Village Apartments	Garden	150	114,750	765
Saratoga	Highrise	48	53,762	1,120
Taylor Heights Apartments	Garden	140	103,512	739
Watson	Highrise	50	43,988	880
Westridge Estates	Townhouse	112	113,664	1,015
		851	**688,347**	**809**
Regina, SK				
Ashok Portfolio	Garden	164	95,000	579
Boardwalk Estates	Garden	687	467,696	681
Boardwalk Manor	Garden	72	60,360	838
Centennial South	Townhouse	170	129,080	759
Centennial West	Garden	60	46,032	767
Eastside Estates	Townhouse	150	167,550	1,117
Evergreen Estates	Garden	150	125,660	838
Grace Manor	Townhouse	72	69,120	960
Greenbriar Apts	Garden	72	57,600	800
Lockwood Arms	Garden	96	69,000	719
Pines of Normanview	Townhouse	133	115,973	872
Qu'appelle Village I & II	Garden	154	133,200	865
Qu'appelle Village III	Garden	180	144,160	801
Southpointe Plaza	Highrise	140	117,560	840
The Meadows	Townhouse	52	57,824	1,112
Wascanna Park Estates	Townhouse	320	307,200	960
		2,672	**2,163,015**	**810**

Portfolio

Property	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Saskatoon, SK				
Carleton Towers	Highrise	158	155,138	982
Chancellor Gate	Garden	138	126,396	916
Dorchester Towers	Highrise	52	48,608	935
Heritage Pointe Estates	Townhouse	104	99,840	960
Lawson Village	Garden	96	75,441	786
Meadow Parc Estates	Townhouse	200	192,000	960
Palace Gate	Garden	206	142,525	692
Penthouse Apartments	Highrise	82	61,550	751
Regal Tower 1 & 2	Highrise	161	122,384	760
Reid Park Estates	Garden	179	128,700	719
St. Charles Place	Garden	156	123,000	789
St. James Place	Garden	140	105,750	755
Stonebridge Apartments	Garden	162	131,864	814
Stonebridge Townhomes I & II	Townhouse	100	135,486	1,355
Wildwood Ways B	Garden	54	43,961	814
		1,988	**1,692,643**	**851**
Windsor, ON				
Anchorage Apartments	Highrise	135	110,245	817
Askin Tower	Highrise	60	39,675	661
Buckingham Towers	Highrise	34	30,805	906
Caron Towers	Highrise	47	36,947	786
Empress	Garden	40	28,250	706
Frances Tower Apartments	Highrise	53	43,906	828
Glenwood Apartments	Highrise	33	25,619	776
Janisse Tower	Highrise	75	45,000	600
Karita Tower	Highrise	41	28,950	706
Lauzon Towers	Highrise	178	137,784	774
Marine Court	Highrise	68	49,206	724
Randal Court	Garden	47	38,775	825
Regency Colonade	Highrise	133	113,205	851
Riverdale Manor	Townhouse	97	77,850	803
Rivershore Tower Apts	Highrise	96	63,300	659
Sandilands Tower	Highrise	47	38,775	825
Sanwich Tower	Highrise	66	40,650	616
Seaway Tower	Highrise	152	112,037	737
Sun Crest Tower	Highrise	58	43,100	743
Sun Ray Manor	Highrise	41	29,950	731
University Towers	Highrise	50	36,100	722
		1,551	**1,170,129**	**754**

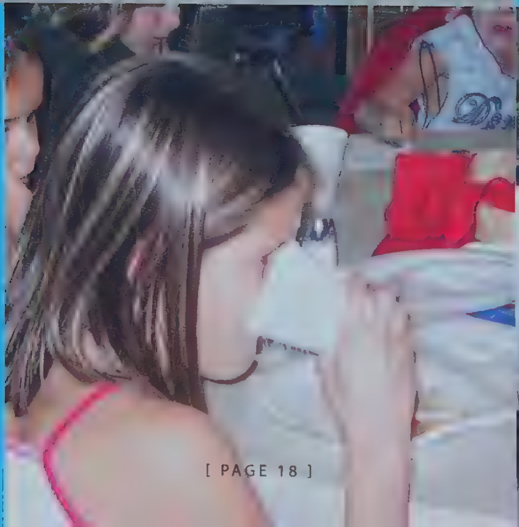
Property	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
Other				
Boardwalk Park Estates 2 (Grande Prairie, AB)	Townhouse	32	30,210	944
Elk Valley Estates (Banff, AB)	Garden	76	53,340	702
Kings Tower (Kitchener, ON)	Highrise	226	171,100	757
Parc de la Montagne (Gatineau, QC)	Highrise	321	204,055	636
Parkview Portfolio (Grande Prairie, AB)	Garden	369	306,850	832
Tower Lane I & II (Airdrie, AB)	Garden	163	130,920	803
Westheights Place (Kitchener, ON)	Highrise	103	91,920	892
		1,290	**988,395**	**766**
	Total	**31,425**	**26,491,024**	**843**

Social Responsibility

Our Associates help us to achieve our goal of maintaining a balance between our Customers' needs with the needs of our greater community. Many social programs, with Boardwalk funding or sponsoring such initiatives, have been successful due to the volunteer efforts put forth by our Associates on an ongoing basis. Boardwalk's Community Development Department is a unique example of how our Company ensures it gives back to the community in which it serves.

The Community Development department was created for two main purposes: to foster collaboration with Government and Social Service agencies to provide affordable housing, and to assist our Customers who are in financial need. Through this department, Boardwalk has developed compassionate rent policies for those who are in financial hardship and our Associates have also helped in a number of ways including organizing food and clothing drives.

With our sponsorship and support our Associates have helped countless members of the Community through their charitable works and volunteer activities. One such recent event was the Kids on Track Program where Boardwalk helped prepare and serve a turkey dinner to underprivileged children in the Edmonton area. Without the involvement of Associates, these initiatives would not have taken place.



Management's Discussion & Analysis

Boardwalk Equities Inc. (hereafter "Boardwalk", the "Company" or the "Corporation") is Canada's largest publicly held owner and operator of multi-family apartment communities. At December 31, 2003 the Company owned and managed over 31,200 units in over 250 rental communities across the provinces of Alberta, Saskatchewan, Ontario and Quebec. Boardwalk is listed on The Toronto Stock Exchange and trades under the symbol "BEI".

The MDA focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the real estate industry. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other elements may or may not occur which could affect the Corporation in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in other parts of the Annual Report, the Corporation's audited consolidated financial statements for the years ended December 31, 2003 and 2002 and the Annual Information Form.

MDA CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this discussion constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe", "expect", "anticipate", "intend", "estimate", "assume", "project", and other similar expressions that predict or indicate future events and trends or that do not relate to historical matters. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements made in this discussion and in the materials incorporated herein by reference are based on assumptions and judgments of Management regarding future events and results. These assumptions and judgments may prove to be inaccurate as a result of a number of factors, many of which are beyond our control, and our actual results may differ materially from the results contemplated in such forward-looking statements. Such factors include, but are not limited to, the following:

- *Changes in national, international or regional economic conditions may affect the real estate market, which is cyclical in nature and highly sensitive to such changes, including, among other factors, levels of employment, discretionary disposable income, consumer confidence, available financing and interest rates;*
- *We may be unsuccessful in managing our current growth in the number of properties and the related growth of our business operations;*
- *Our previous and possible future expansion into new geographic market areas may not produce financial results that are consistent with our historical performance;*
- *We may not be able to locate suitable property acquisitions;*
- *We may have additional compliance costs due to changes in any environmental or other laws and regulations that govern the acquisition on sale of real estate and various aspects of our financing operation or our failure to comply with any law or regulation;*
- *Renovation costs may exceed our original estimates;*
- *We may not lease-up properties under renovation on schedule, resulting in a lower than expected return on asset and return on equity;*
- *Market forces may change and the anticipated loss-to-lease amounts may not materialize as anticipated;*
- *Loss of key management may result in a significant increase in administrative expenses;*
- *Occupancy rates and market rents may be adversely affected by local economic and market conditions, which are beyond our control;*
- *We may be unable to locate external sources of liquidity on favorable terms to support our operations and acquisition and renovation strategies, or satisfy our debt and other obligations;*
- *Our cash flow may be insufficient to meet required payments of principal and interest and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness; and*
- *Our sales and marketing techniques may not be successful, may not be accepted by consumers, may impose limitations on our operations, or may be adversely impacted by legal or other requirements.*

We disclaim any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

Values, Vision and Objectives

Boardwalk Equities Inc. is a fully integrated, Customer-oriented, multi-family residential real estate ownership and management Company. It is Canada's largest publicly traded multi-family residential Corporation and specializes in the acquisition, operation, value enhancement, and sale of multi-family residential properties within Canada. Boardwalk's portfolio is located in the Provinces of Alberta, Saskatchewan, Ontario and Quebec. The Corporation's head office is in Calgary, Alberta.

A COMMITMENT TO VALUE

Boardwalk's vision and business strategy are targeted on effectively meeting the needs of our Customers. It is our belief that this focus will result in the most significant long-term value creation for all our stakeholders. Boardwalk's key stakeholders include Boardwalk Associates, our major financial and mortgage partners, the Canada Mortgage and Housing Corporation ("CMHC"), strategic operational partners and our Shareholders.

BOARDWALK'S VISION

Boardwalk's vision is to be Canada's leading multi-family rental provider. We believe we will accomplish this through the continued careful cultivation of internal growth, combined with a targeted and disciplined external acquisition program.

Boardwalk's employee Associates are expected to adhere to these guiding principles:

We will:

- maintain a team-oriented work environment where mutual respect, trust and honesty exists among all Associates and Customers;
- serve our Customers' need for quality, affordable, well-kept and carefree homes;
- maintain building exteriors and landscaping, thereby increasing "curb appeal";
- have well-kept common areas and ensure our properties are clean and well-maintained;
- maintain an equitable balance between the needs of our Customers, Associates, Shareholders, community and families;

- nurture and promote a learning environment where our Associates' skills and capabilities grow with the needs of both the Company and our Customers, and accept that these needs will constantly evolve and improve; and
- utilize the latest tools and technology designed to increase the operating efficiency of the Company as a whole.

We value:

- **Integrity**

We will be honest, respectful, and trusting in our dealings with others, appreciating their views and differences.

- **Teamwork**

We will effectively work as a team, appreciating and benefiting from each other's unique talents and skills in an open environment while recognizing that the team's successes are our successes.

- **Customer Service**

We will promptly respond to Customer concerns and needs with thoughtfulness, compassion and innovation. We will strive to develop pro-active solutions though a support network and a positive service attitude.

- **Social Responsibility**

We will contribute to our Community and encourage our Associates to contribute in ways that reflect the Golden Rule, balancing our needs with those of others.

- **Our Associates**

We will provide a safe and respectful work environment that attracts, supports, develops, and recognizes high-performing and innovative team members.

Boardwalk believes by adhering to its vision and values, and implementing strategies consistent with these principles, the Company will produce higher sustainable operating cash flows and a continued appreciation in its property values. The result will be enhanced value for all Boardwalk stakeholders.

Achieving this goal requires the full integration of our core strategies of focused investing, superior property management and the implementation and effective use of new technologies.

Our pro-active property asset management strategy includes the following:

- The acquisition of existing multi-family residential properties throughout Canada;
- The selective renovation and repositioning of existing projects resulting in increased operating returns;
- The continued enhancement of cash flow from existing properties;
- The stabilization of new projects to increase cash flows;
- The utilization of a focused sales discipline; and
- The reinvestment of released equity back into the portfolio to create additional value-added opportunities.

To support the Corporation's overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value-added enhancements;
- Appropriately allocate available capital to existing project enhancement and continuing new acquisitions;
- Utilize suitable levels of leverage;
- Determine and utilize the lowest cost of capital sources;
- Actively manage the Corporation's exposure to interest rate and renewal risk;
- Optimize the use of National Housing Act ("NHA") insurance through CMHC to enhance leverage and access lower financing rates.

KEY PERFORMANCE OBJECTIVES

Boardwalk generates revenues, cash flows and earnings from two separate sources: from rental operations and from the sale of real estate properties.

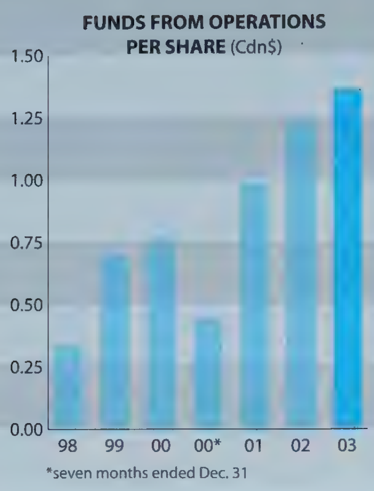
Boardwalk's most consistent, and largest, source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to Customers who have varying lease terms ranging from month-to-month to twelve-month leases.

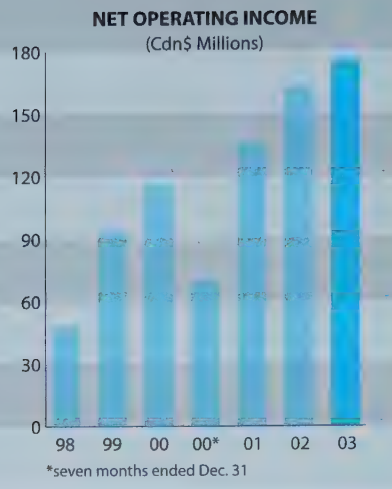
The Company also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk's overall operating strategy whereby the equity generated through the sale is then utilized by the Corporation for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of the Corporation's common stock in public markets.

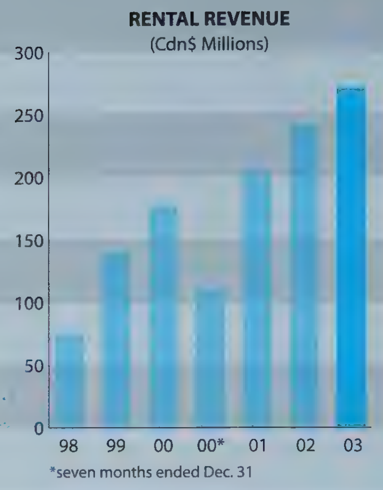
FUNDS FROM OPERATIONS

The Company assesses and measures segment operating results based on a performance measure referred to as "Funds From Operations" ("FFO"). "FFO" is a generally accepted measure of operating performance of real estate entities; however, it is a non-GAAP measurement. The Company calculates FFO by taking net earnings and adding back non-cash items, including future income taxes and amortization. The Corporation's calculation methodology for FFO may differ from that of other real estate companies and REITs.

Historical cost accounting for real estate assets in accordance with generally accepted accounting principles implicitly assumes that the value of real estate assets diminishes predict-







ably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") feels the use of FFO is appropriate as a supplemental measure of operating performance that excludes historical costs depreciation, among other items, from net income calculated in accordance with GAAP. The use of FFO, combined with the required presentations in accordance with GAAP, has been fundamentally beneficial by improving the understanding of operating results of real estate companies among the investing public and making financial comparisons between corporations more meaningful. We generally consider FFO to be a useful measure for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income, which remains the primary measure of performance). By excluding real estate asset depreciation and amortization, as well as non-current taxes, FFO can better compare the operating performance of the Corporation's real estate holdings between periods or with other real estate entities. We believe FFO is the best measure of economic profitability for real estate investment trusts.

At the beginning of the 2003 fiscal year, the Corporation set out selective performance targets for fiscal 2003. The chart below compares Boardwalk's forecast performance to its actual results in fiscal 2003. Explanations for any significant variances are provided below the chart.

On a quarterly basis, the Corporation reviews the assumptions used in providing its full-year guidance to determine if any adjustment to these assumptions is required. During the third quarter of 2003, the Corporation revised downward its market guidance for fiscal 2003. The revision was mainly the result of lower-than-expected gains in net operating income ("NOI") from its stabilized property portfolio.

Actual total FFO for fiscal 2003 was below our original forecast, but slightly higher than our revised market guidance. The chart below shows a comparison between our original forecast, our revised guidance and our actual results.

	Low	High
Original 2003 guidance	$1.40	$1.44
Revenue adjustment	($0.04)	($0.04)
Operating costs	($0.02)	($0.02)
Revised guidance	$1.34	$1.38
Actual results		$1.39

RENTAL OPERATIONS

Overall, rental revenue was lower than expected, mainly as a result of Boardwalk's performance with its Alberta portfolio, which experienced higher-than-anticipated vacancies during the first half of the year. Partially mitigating this was the strength of our financial performance on properties acquired over the last eighteen months, the majority of these located in Quebec. This resulted in an estimated net downward adjustment of four cents per share.

ACTUAL RESULTS

	2003 Actuals	Revised 2003 Objectives	Original 2003 Objectives	2002 Actuals
FFO Rental Operations	$1.37	$1.32 to $1.36	$1.40 to $1.44	$1.24
FFO Property Sales	$0.02	$0.02	$0.00	$0.02
Total FFO	$1.39	$1.34 to $1.38	$1.40 to $1.44	$1.26
New Unit Acquisitions	1,953	1,000 to 2,000	1,000 to 2,000	3,558
Stabilized Buildings NOI	-0.8%	0.0%	3% to 5 %	7.5%

Operating expenses were higher than anticipated, mainly the result of increased staff turnover, and higher insurance and utility costs. This accounted for the downward adjustment of approximately two cents per share.

Sales of properties

Although not originally forecast, sales of properties comprised two cents per share of our total FFO per share reported.

New Unit Acquisitions

The projection of between one and two thousand new units to be acquired in fiscal 2003 was met, with the Corporation purchasing 1,956 units at various times during the year.

STABILIZED PROPERTIES

"NOI", or Net Operating Income, includes all rental revenue generated at the rental property level, less related direct costs such as utilities, property taxes, insurance and onsite maintenance wages and salaries.

Stabilized Properties are defined as properties that have been owned by the Corporation for a 24-month period or greater.

Boardwalk's stabilized properties reported a decrease of 0.8% in NOI for 2003 compared with the same period in 2002. It was Boardwalk's expectation that stabilized properties NOI would increase between 3% and 5%. The reported results were lower than anticipated, as a result of lower-than-expected revenue generated in Alberta. If we were to exclude the one-time utility rebate received by Boardwalk in 2002, the adjusted NOI for 2003 from stabilized properties would have actually increased by 2.5% compared with the same period in the prior year.

Financial Performance Summary

AT A GLANCE

in 000's, except per share amounts	2003	2002	% Change
Total Assets	**$1,803,380**	$1,708,490	6%
Total Revenue	**$270,992**	$249,073	9%
Total Rental Revenue	**$270,992**	$241,575	12%
Net Earnings	**$7,751**	$11,576	-33%
Funds From Operations	**$70,607**	$63,052	12%
Net Earnings Per Share	**$0.15**	$0.23	N/A
Funds From Operations Per Share	**$1.39**	$1.26	10%
Funds From Operations Per Share Excluding Gains	**$1.37**	$1.24	11%

Total Assets increased by 6% over the amount reported in 2002. The increase was mainly the result of the Corporation's property acquisitions in Quebec.

Total Revenue & Total Rental Revenue increased by 9% and 12%, respectively, the result of increased rental rates, enhanced by revenue generated by new acquisitions. It should be noted that effective January 1, 2003, the Corporation adopted the new CICA Handbook Section 3475, Disposal of Long-Lived Assets and Discontinued Operations, for disposals on or after January 1, 2003. The recommendations of this section requires disposal of long-lived assets to be classified as held for sale, and the results of operations and cash flows associated with the assets disposed to be reported separately as discontinued operations, less applicable income taxes. A long-lived asset is classified by the Corporation as an asset held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sale price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. For unsolicited interest in a long-lived asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period. The impact of adopting the new recommendations for disposals of long-lived assets on or after January 1, 2003, is disclosed in Note 3 to the consolidated financial statements.

Net Earnings decreased from 2002 by approximately 33%, mainly as a result of higher future income taxes reported for 2003. Under Canadian GAAP, corporations use substantially enacted tax rates to estimate future income tax expense. In 2002, the weighted average combined federal and provincial substantially enacted tax rate was slightly below 34%. In 2003, this rate increased to over 35%, resulting in an increase in future income tax expense of approximately $5 million solely on the basis of a change in substantially enacted tax rates.

Funds From Operations increased by 12% compared with the prior year. The increase is mainly the result of increased operational performance of Boardwalk's unstabilized properties combined with a significant reduction in the Corporation's overall mortgage debt financing rate. More details on Boardwalk's mortgage debt performance are provided later in this document.

Financial Statement Analysis

CONSOLIDATED STATEMENT OF EARNINGS

Rental Operations

The amounts reported below as rental revenue exclude interest revenue generated. Boardwalk, from time to time, will generate interest revenue from interest charged on vendor mortgages receivable (a more detailed discussion on vendor mortgages is provided later in the MDA) and from the investment of excess cash available. These excess funds are invested in low-risk, interest-bearing investments. The amount of interest revenue reported for fiscal 2003 was $0.7 million compared with $1.8 million for fiscal 2002. Due to the insignificance of these amounts, interest revenue is included in rental income in the statement of earnings. However, the amounts referred to as rental revenues in the remainder of the MDA exclude the interest revenue component. In addition, certain comparative figures for fiscal 2002 have been reclassified to conform with the current year's presentation, or as a result of accounting changes.

in 000's, except per share amounts	2003	2002	% Change
Rental revenue	**$270,992**	$241,575	12%
Expenses			
Operating expenses	**$33,819**	$26,182	29%
Utilities	**$34,736**	$32,489	7%
Utility rebate	–	($3,692)	-100%
Property taxes	**$26,217**	$23,664	11%
	$94,772	$78,643	21%
Net operating income	**$176,220**	$162,932	8%
Average rent per unit per month	**$734**	$716	3%
Operating margins	**65%**	67%	
Operating margins - excluding utility rebate	**65%**	66%	

Overall, Boardwalk's rental operations reported strong results. The reported increase of 12% in rental revenue is the combined effect of increased rental levels on existing properties together with new revenue generated through the acquisition of apartment units throughout the year. Total rental expenses increased by 21%, the combined result of increased costs from existing operations plus the additional costs associated with new unit acquisitions. As there were no utility rebates reported in 2003, overall operating margins reported were lower by approximately 1% compared with 2002. During fiscal 2002, the Corporation received a non-recurring utility rebate based on per gigajoule usage as a result of proceeds realized by ATCO Gas on the sale of its Viking-Kinsella producing assets. Operating expenses, which include repairs and maintenance, advertising and insurance, were up 29% compared with last year mainly as a result of increased labour and insurance costs.

Boardwalk closely monitors and manages individually the performance of each of its rental properties. For the reader's convenience, we have provided a summary of our operating results on a province-by-province basis.

Alberta Rental Operations

in 000's, except per share amounts	2003	2002	% Change
Rental revenue	**$152,583**	$151,076	1%
Expenses			
Operating expenses	**$19,013**	$15,455	23%
Utilities	**$19,208**	$20,978	-8%
Utility rebate	–	($3,386)	-100%
Property taxes	**$11,016**	$11,358	-3%
	$49,237	$44,405	11%
Net operating income	**$103,346**	$106,671	-3%
Average rent per unit per month	**$745**	$737	1%
Operating costs per unit per month	**$240**	$217	11%
Operating margins	**68%**	71%	
Operating margins - excluding utility rebate	**68%**	68%	

Boardwalk's Alberta operations reported results consistent with those reported in fiscal 2002, after adjusting for the one-time utility rebate. Rental revenue in 2003 increased 1%; however, higher operating expenses mitigated the increase. The increase in revenue was mainly the result of lower vacancies, but was somewhat offset by short-term incentives offered to Customers. Total rental expenses increased by 11%, mainly as a result of higher wages and insurance costs, and the absence of utility rebates for 2003.

Saskatchewan Rental Operations

in 000's, except per share amounts	2003	2002	% Change
Rental revenue	**$34,038**	$32,893	3%
Expenses			
Operating expenses	**$4,585**	$4,163	10%
Utilities	**$3,928**	$3,979	-1%
Property taxes	**$4,723**	$4,778	-1%
	$13,236	$12,920	2%
Net operating income	**$20,802**	$19,973	4%
Average rent per unit per month	**$613**	$592	3%
Operating costs per unit per month	**$238**	$233	2%
Operating margins	**61%**	61%	

Boardwalk's Saskatchewan portfolio reported higher operating results in 2003 compared with the prior year. Rental rev-

enue was up 3%, due mainly to an increase in average rental rates from $592 per unit per month in 2002 to $613 in 2003. Total rental expenses as a whole were slightly higher compared with those reported in the prior year. The Corporation experienced a significant increase in operating expenses in 2003, particularly as a result of higher labour and insurance costs. Overall, net operating income was higher while operating margins remained flat in 2003.

Ontario Rental Operations

in 000's, except per share amounts	2003	2002	% Change
Rental revenue	**$34,850**	$33,327	5%
Expenses			
Operating expenses	**$4,838**	$4,473	8%
Utilities	**$5,846**	$5,074	15%
Property taxes	**$5,679**	$5,364	6%
	$16,363	$14,911	10%
Net operating income	**$18,487**	$18,416	0%
Average rent per unit per month	**$703**	$672	5%
Operating costs per unit per month	**$330**	$301	10%
Operating margins	**53%**	55%	

Boardwalk's Ontario properties reported financial results in 2003 that were consistent with those reported in fiscal 2002. Rental revenue increased by 5% over fiscal 2002 reported results while total rental expenses increased by 10% over the prior fiscal year. The increase in operating costs was mainly the result of higher labour and insurance costs. Overall, Ontario operations posted a marginally higher NOI in fiscal 2003 compared with the same period in the prior year, although operating margins declined from 55% to 53%.

Quebec Rental Operations (2002 - 8 months operations)

in 000's, except per share amounts	2003	2002
Rental revenue	**$48,276**	$21,962
Expenses		
Operating expenses	**$5,189**	$2,147
Utilities	**$5,650**	$1,906
Property taxes	**$4,725**	$2,074
	$15,564	$6,127
Net operating income	**$32,712**	$15,835
Operating margins	**68%**	72%

In May of 2002, the Company entered the Quebec rental apartment with an acquisition in Montreal for 3,100 rental units. Since that time, the Company has accumulated over 5,580 units in the province, inclusive of a 183-unit complex subsequent to the 2003 fiscal year-end. As a result, the comparable 2002 numbers only represent eight months of financial data. Operating margins have declined from 72% to 68% as a result of our increasing diversification within the Quebec province.

Operational Sensitivities

Given the nature of Boardwalk's rental operations, certain sensitivities exist that may have a material impact on the Corporation's overall operational outcome. The most significant of these sensitivity factors is vacancy.

Vacancy sensitivity: As with all real estate rental operators, Boardwalk's financial performance is sensitive to vacancy rates. Based on the current reported market rents, a 1% annualized change in reported vacancy would impact overall rental revenues by approximately $2.9 million, or $0.06 per share on a diluted basis.

Stabilized Building Analysis

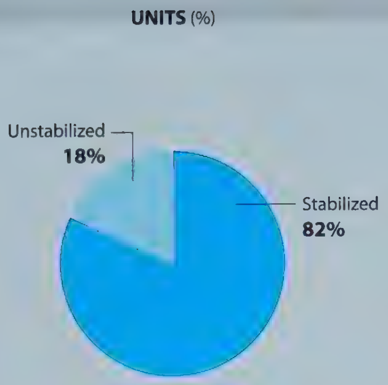
Boardwalk's stabilized buildings continue to report positive operating results, after adjusting for the reported utility rebate received in fiscal 2002. A stabilized property is defined as a property that has been owned by the Company for a period of 24 months or greater. At December 31, 2003, Boardwalk's stabilized portfolio represented 25,715 units, or 82%, of the Company's total real estate portfolio. The following chart provides a regional breakdown on these properties.

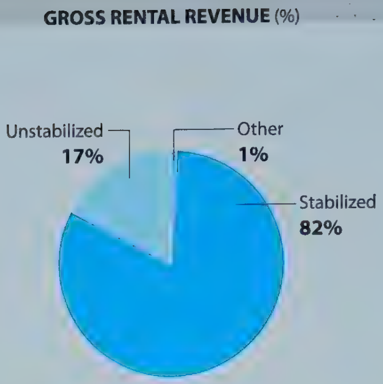
	Number of Units	Rental Revenue	Utility Total	Other	Total Costs	NOI
Calgary	4,881	-5.0%	-4.5%	6.6%	2.1%	-1.5%
Edmonton	10,552	2.5%	19.9%	11.0%	14.5%	-2.5%
Other Alberta	1,604	1.0%	26.4%	8.8%	14.8%	-4.4%
Saskatchewan	4,606	2.7%	-2.8%	2.6%	0.9%	3.9%
Ontario	4,072	4.7%	14.7%	6.1%	9.1%	2.9%
	25,715	2.1%	10.8%	7.4%	8.6%	-0.8%
No Rebate		2.1%	-3.9%	7.4%	3.2%	1.5%

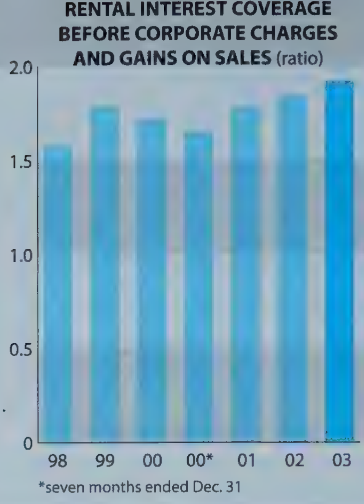
Overall, rental revenue increased by 2.1% compared with the 2002 reported results for our stabilized property portfolio. This increase was offset by an increase of 8.6% in operating costs, resulting in a decrease of 0.8% in reported NOI. If we were to adjust for the one-time utility rebate received in 2002, overall operating costs were only up 3.2%, resulting in an adjusted NOI increase of 1.5%.

FINANCING COSTS

Boardwalk's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value. Once acquired, these properties undergo various value enhancing upgrades as part of the Company's stabilization program. Boardwalk utilizes external financing to leverage these properties up to 85% of the purchase price and, where appropriate, the Corporation adds additional financing for all upgrades performed.







Boardwalk concentrates on multi-family residential real estate; thus, it is eligible to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are threefold. The ***first benefit*** is that the use of this insurance allows Boardwalk to increase the lending limit on its properties from the conventional 75% threshold to an 85% level. The ***second benefit*** of using CMHC insurance is that the Company can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently between 40 and 80 basis points above the respective Government of Canada Bonds. This compares favourably with the spreads on conventional financing, which currently range from 120 to 175 basis points. The ***third benefit*** of the CMHC insurance relates to the lowering of Boardwalk's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years, depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of the Corporation not being able to refinance the asset on maturity.

Boardwalk's financing costs for fiscal 2003 were $76.6 million, up $2.4 million from $74.2 million reported for the twelve months ended December 31, 2002. The increase was due to the Corporation's increased leverage on existing properties to fund Boardwalk's capital improvement program, to assist in the acquisition of new properties and the assumption of additional debt on acquisitions completed during the year.

The increase in financing costs in fiscal 2003 was partially offset by a decrease in the Company's overall weighted average interest rate. On December 31, 2003, the Corporation's mortgage portfolio of $1.4 billion had a weighted average interest rate of 5.68% compared with 5.87% on December 31, 2002. Lower interest rates during fiscal 2003 assisted the Company during its refinancing of existing, and financing of new, mortgages. With the lower interest rate environment in 2003, Boardwalk was also able to fill in certain parts of its maturity schedule, yet still not overly expose the Company in any one particular year to potential interest rate fluctuations.

Interest Rate Sensitivity

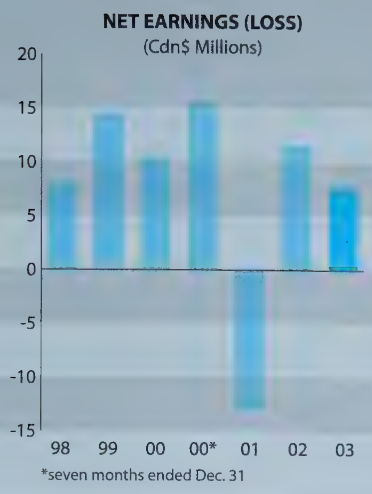
Although Boardwalk manages its financing risk in a variety of ways, as discussed later in the MDA, it is important for the reader to understand the potential impact to the Corporation as a whole with respect to significant interest rate changes. An annualized 1% change in the market interest rate on all of Boardwalk's outstanding debt would have an estimated impact of $13.8 million, or $0.27 per diluted share. The reader should note that Boardwalk carefully manages the maturity dates of its outstanding mortgages; thus, the Corporation had only $161 million of maturing debt during fiscal 2003, which were renewed at a weighted average interest rate of 5.20%. If Boardwalk were to renew these maturing mortgages at rates that were 100 basis points higher, this would have resulted in an annual increase of $1.6 million to our financing costs, or $0.03 per share.

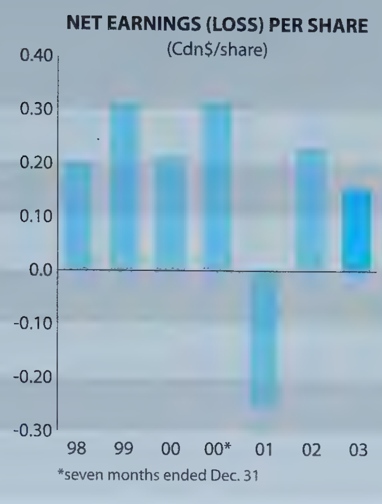
Properties Held For Resale

Although not considered core operations, the selective sale of non-core and other properties continues to be a part of Boardwalk's overall operating strategy. These asset sales permit Boardwalk to access additional equity, which is then reinvested in new acquisitions or utilized in Boardwalk's value-added capital improvement program.

in 000's, except per share amounts

	2003	2002
Total proceeds	**$3,040**	$7,498
Net book value	**$1,993**	$6,531
Gain on sale	**$1,047**	$967
FFO per share	**$0.02**	$0.02
Units sold	**40**	121





During 2003, the Company sold a project consisting of 40 units for an average price of $76 thousand per unit. This sale compares with the 121 units sold in 2002 at an average price of $62 thousand per unit. The sale price per unit is dependant on a number of factors, including the type and location of the building. Overall, the contribution to the Corporation's FFO from property sales represented $0.02 per share in 2003, consistent with the posted results of fiscal 2002.

Administration

Included in administration expenses are costs associated with Boardwalk's centralized administrative functions, its regional distribution centres, provincial capital tax, as well as the Corporation's onsite marketing and service Associates. The amount reported for fiscal 2003 of $23.3 million was an increase of $3.4 million over the $19.9 million reported in fiscal 2002. The increase resulted from the expansion of the Corporation's apartment base in 2003, along with an increase in labour costs for its existing Associates.

Amortization

Amortization expense is a charge taken against the Corporation's earnings to reflect the estimated depreciation that has occurred to the Company's fixed assets during the reporting period in question. Although multi-family property assets have historically appreciated in value over time, under existing generally accepted accounting principles, amortization charges are required during each reporting period. To address the uniqueness of the amortization of these long-term assets, many real estate entities amortize their building assets using the sinking-fund method of amortization.

Boardwalk reviews its key amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis.

Beginning January 1, 2004, the Corporation will adopt the straight-line method to compute amortization of its revenue producing buildings. The adoption of the straight-line method from the sinking-fund method will be applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100. Had the Company used this amortization method for fiscal 2003, the result would have been an increase in reported amortization of $11.7 million on an after-tax basis, or $0.23 cents per share.

Gain on Debt Settlement

Under current Canadian GAAP, in the case where the interest rate charged on the associated debt for an acquired asset is higher (lower) than the prevailing market rate at the time of the purchase, a fair value adjustment is added (deducted) to (from) the asset purchase price. In 2002, with the purchase of the Nun's Island portfolio in Montreal, Boardwalk assumed the existing debt of the portfolio. At the time of the purchase, the interest rate on this assumed debt was deemed to be higher than the prevailing market interest rate. In the fourth quarter of 2002, the Corporation was able to refinance this assumed debt and, with the resulting reduction in interest rates, a gain of approximately $700,000 was reported on the debt settlement. There was no equivalent reported gain for 2003.

Future Income Taxes

During 2003, the Corporation reported future income taxes of $11.8 million compared with $5.4 million for fiscal 2002. During fiscal 2002, the reported future income tax liability was estimated using substantively enacted tax rates that were consistent with provincial and federal budget proposals at the time. In 2003, combined federal and provincial substantively enacted tax rates used to estimate future income tax liability were adjusted upward in certain provinces. Details of this calculation can be found in Note 10 to the 2003 consolidated financial statements on page 52. The reader should note that this is not a cash tax payable and, in fact, the Corporation has an estimated $209 million in tax losses available to offset future income taxes. These losses are scheduled to expire in 2005, subject to the ability of the Corporation to re-file and amend its income tax returns. Under current Canada Customs and Revenue Agency administrative policies, companies are permitted to re-file returns for prior taxation years to remove or reduce certain elective deductions such as tax depreciation. If warranted, it is Boardwalk's intention to re-file these returns to

reduce these elective deductions in an attempt to recapture some, or all, of these expiring losses.

Net Earnings

For fiscal 2003, Boardwalk reported net earnings of $7.8 million, or $0.15 per share. This compares with reported net income for 2002 of $11.6 million or $0.23 cents per share. The variance is mainly the result of the increased future income tax provision reported for 2003.

CONSOLIDATED STATEMENT OF CASH FLOWS

Operating Activities

Cash flow from operations

Boardwalk prepares its financial statements in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") and the Canadian Institute of Chartered Accountants ("CICA"). CIPPREC has adopted a measurement of funds from operations ("FFO") to supplement net income as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk's presentation of FFO is consistent with the definition provided by CIPPREC. This measure is not necessarily indicative of cash that is available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. FFO does not represent cash flow from operations as defined by Canadian generally accepted accounting principles ("Canadian GAAP"). Boardwalk considers FFO to be an appropriate measure of the performance of a publicly listed multi-family residential corporation. In order to facilitate a clear understanding of the combined historical operating results of the Company, management feels FFO should be considered in conjunction with net earnings as presented in the audited consolidated financial statements. The Corporation computes FFO as follows:

in 000's, except per share amounts	2003	2002
Net earnings from continuing operations	**$7,000**	$11,553
Add back (deduct)		
Earnings from discontinued operations	**$751**	$23
Future income taxes	**$11,761**	$5,420
Income taxes on property sale	**$329**	
Amortization	**$50,766**	$46,748
Gain on settlement of debt		($692)
Total funds from operations	**$70,607**	$63,052
Total funds from operations per share	**$1.39**	$1.26

The reader is cautioned that Boardwalk's calculation of FFO may be different from other real estate corporations or REITs and, as such, a straight comparison may not be warranted.

For the fiscal period ended December 31, 2003, Boardwalk reported total FFO of $70.6 million, or $1.39 per fully diluted share; this represented an increase of over 10% compared with the $63.1 million, or $1.26 per fully diluted share, reported for fiscal 2002. The increase is the combined result of new acquisitions and the increased performance by Boardwalk's existing apartment portfolio.

Financing Activities

Repurchase of capital stock

Boardwalk continued its normal course issuer bid during fiscal 2003. During 2003, a total of $0.6 million (44,000 shares with an average price $14.26 per share) was allocated to the purchase of its own capital stock in the market. This compared with $1.2 million (96,600 shares with an average purchase price of $12.07 per share) for fiscal 2002. The normal course issuer bid allows the Company to purchase up to 10% of its public float through the facilities of the Toronto Stock Exchange. Boardwalk believes that the current and recent market prices of its common shares do not reflect their underlying value. Boardwalk's management expects to continue with this program on a periodic basis, depending on market prices and other factors as well as alternative uses for the Company's capital.

Financing of revenue producing properties

During the year ended December 31, 2003, the financing for new acquisitions and the refinancing of existing properties totalled approximately $177.2 million versus $305.8 million for the year ended December 31, 2002. The variance is primarily the result of a reduced number of new acquisitions in 2003, which translated into a lower number of mortgage assumptions.

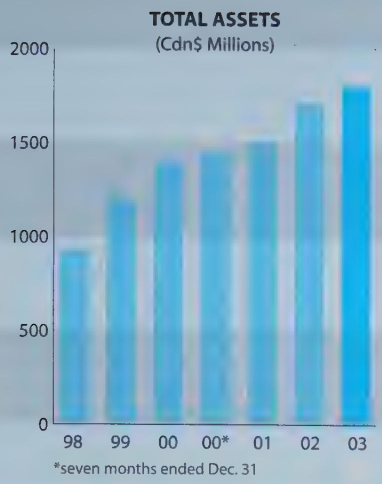
In the process, Boardwalk was able to reduce the weighted average interest rate on its mortgage portfolio from 5.87% at December 31, 2002, to 5.68% at December 31, 2003.

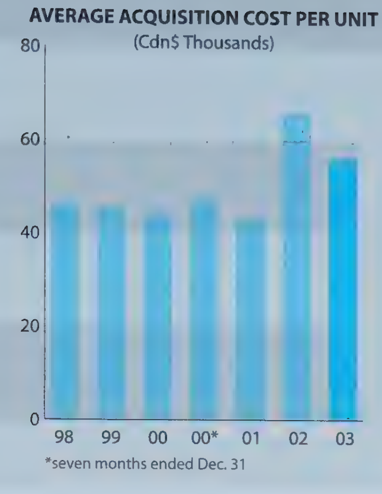
Investing Activities

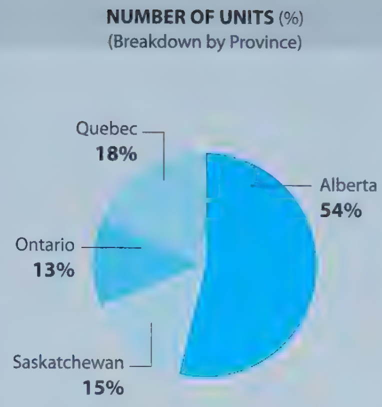
Purchase of revenue-producing properties

During 2003, the Corporation acquired 1,953 new rental units for total acquisition costs of $109.8 million, inclusive of a fair value adjustment to debt, or an average of approximately $56 thousand per unit, with an average going-in capitalization rate of 8.99%. This compares with 3,558 apartment units acquired during fiscal 2002 with an average acquisition cost of approximately $66 thousand per unit.

City	Building Name	Units	Cap Rate
Gatineau	Gatineau	321	8.52%
Longueuil	Domaine d'Ibervile	720	10.13%
St Laurent	600 Cote Vertu	88	8.46%
Montreal	Les Jardins Bourassa	178	8.34%
Quebec City	Bilodeau Portfolio	454	8.40%
Sainte-Foy	Le Appartments du Verdier	195	8.48%
		1,956	8.99%







Although each asset acquisition is unique and priced accordingly, it is important to note that the building acquired in Longueuil, Quebec, was acquired on a land lease and, as such, the value of the property was adjusted downward, resulting in the higher-than-average capitalization rate on acquisition.

Due to the nature of multi-family residential real estate, the amount paid for apartment units may vary dramatically based on a number of parameters, including location, type of ownership (that is, free-hold versus land lease) and type of construction. As required under Canadian GAAP, on acquisition an analysis is performed on the mortgage debt assumed. The analysis focuses on the interest rates of the debt assumed; if it is determined that the in-place rates are materially below or above market rates, an adjustment is made to the book cost of the recorded asset. This adjustment for fiscal 2003 was $2.1 million compared with $19.5 million for 2002.

in 000's, except per share amounts	2003	2002
Purchase price	**$107,665**	$213,755
Fair value adjustment	**$2,137**	$19,500
	$109,802	$233,255
Average price per unit	**$56,100**	$65,600

Project improvements to revenue-producing properties

Boardwalk's value enhancement program creates long-term benefits for its properties. As a result, the Corporation capitalizes selected value enhancements under the category of project improvements and amortizes them accordingly. The total amount of funds expended for renovations and project improvements in 2003 was approximately $49.0 million compared with $39.4 million for fiscal 2002. Included in the capitalized amounts was management's estimate with respect to the capitalization of onsite associate wages and salaries that assisted in the enhancement program, which totalled $5.1 million in fiscal 2003. This compares with $4.7 million of capitalized wages for 2002. The amount reported is consistent with prior years, despite the significant increase in the number of units added to its property portfolio.

CONSOLIDATED BALANCE SHEET

Mortgages and Accounts Receivable

The majority of the amounts reported as mortgages and accounts receivable consist of vendor mortgages, obtained as part of the normal course of the building sale process. All mortgages are to unrelated third parties. The decrease in the amount reported on December 31, 2003, compared with December 31, 2002, was the result of the settlement on maturity of some of these vendor mortgages. All outstanding mortgages are in good standing. Many of these vendor mortgages earn a lower interest rate compared with market; as a result, the Corporation has discounted the value of these mortgages and reduced the reported gain on the associated property sales.

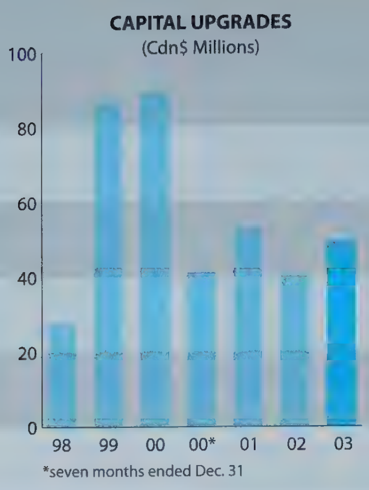
Mortgages Payable

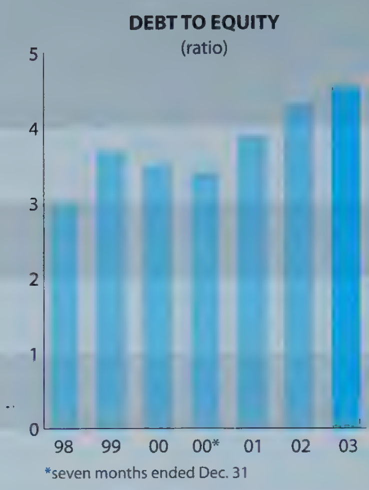
Boardwalk's long-term debt consists mainly of low-rate, fixed-term mortgage financing. Long-term debt consists of individual mortgages or debentures registered against the appropriate real estate assets. The maturity dates for this debt have been staggered to lower the Corporation's overall interest rate risk.

The Corporation's mortgages payable on December 31, 2003, was $1.4 billion, compared with $1.3 billion reported on December 31, 2002. This increase is the result of the continued growth of the Company, including the refinancing of existing debt and the assumption of debt on new acquisitions.

After a new acquisition and during the stabilization period, Boardwalk's strategy is to complete value-added upgrades as appropriate. The resulting increased property value then enables the Corporation to obtain additional mortgage proceeds to finance additional capital improvements or acquisitions.

During fiscal 2003, Boardwalk refinanced certain maturing mortgages to higher levels, demonstrating the value creation that is occurring in its portfolio. The Corporation utilized these additional funds to assist in the financing of capital improvement projects.





Boardwalk's overall weighted average interest rate has decreased from the prior year. The Corporation's weighted average interest rate on December 31, 2003 was 5.68% compared with 5.87% on December 31, 2002.

To better maintain cost effectiveness and flexibility of capital, Boardwalk continuously monitors short and long-term interest rates. If the environment warrants, the Corporation will convert short-term, floating rate debt to longer term, fixed rate mortgages.

Boardwalk's Debt Maturity Chart

Fiscal Year	Mortgage Balance (in 000's)	Weighted Average Interest Rate
2004	161,430	5.20%
2005	127,882	5.27%
2006	173,258	5.00%
2007	240,837	5.47%
2008	260,206	6.07%
2009	158,173	6.09%
2010	91,211	6.23%
2011	73,431	6.23%
2012	30,896	6.19%
2013	37,258	5.50%
2014	4,766	5.91%
Subsequent	27,720	6.59%
Grand Total	1,387,067	5.68%

Liquidity and Risks

One of Boardwalk's objectives is to ensure, in advance, ample capital resources available for the execution of its business plan. Capital resources are defined as the combination of mortgage debt, share capital equity, internally generated funds and cash on hand. Significant liquidity provides greater certainty as to execution, which in turn gives the Corporation a competitive advantage in its negotiation and acquisition of additional investments. The selective conversion of lower yielding mature properties into cash for deployment into higher yielding investments is another source of liquidity for the Company.

The Company's principal liquidity demands in the future are expected to be the repayment of maturing mortgage debt, ongoing operating costs, capital improvements and the acquisition of new rental units. The Company has in the past, and may in the future, engage in acquiring its own stock from the public market as part of its previously announced normal course issuer bid or other available vehicles.

The Company intends to meet its short-term liquidity requirements through net cash flows provided by operating activities, the financing or refinancing of real estate properties and the use of existing cash reserves. If warranted, the Company will issue common stock. Boardwalk's mortgage debt is over 95% insured by CMHC. The NHA program that is administered by CMHC allows the Company to purchase insurance that essentially gives the mortgage debt the backing of the Government of Canada. The insurance itself is good for the amortization period of the mortgage, ranging from 25 to 40 years. On term maturity, the debt can be transferred to any accredited lender. The addition of this insurance significantly lowers the Corporation's mortgage renewal risk, while allowing the Company to obtain rates at significant discounts to conventional debt.

Currently, the Corporation has an operating and demand facility with a Canadian chartered bank. This facility is secured by a pledge of a group of specific assets. The amount available through the demand facility varies with the value of pledged assets, with the maximum limit not to exceed $100.0 million. This facility carries an interest rate varying from prime plus 0.5% to prime plus 1.5% per annum depending on the facility drawn, and has no fixed repayment terms. The facility is subject to annual review by the bank. Currently, there is $37 million (2002 - $36 million) available to the Corporation under this facility. In addition, as at December 31, 2003, the Corporation had a cash and short-term investment balance of $ 10.1 million (2002 – $23.6 million).

RISK AND RISK MANAGEMENT

Boardwalk, like most real estate rental entities, is exposed to a variety of risk areas. These areas are categorized between general and specific risks. General risks are the risks associated with general conditions in the real estate sector, and consist mainly of commonly exposed risks that affect the real estate industry. Specific risks focus more on risks uniquely identified with the Company, such as credit, market, liquidity and operational risks. The following will address each of these risks.

General Risks

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. Boardwalk currently operates in Canada, in the Provinces of Alberta, Saskatchewan, Ontario and Quebec. Neither Alberta nor Saskatchewan is subject to rent control legislation; however, under Alberta legislation, a landlord is only entitled to increase rents once every six months. A more detailed discussion on rent controls will follow in a latter section.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Boardwalk's properties are subject to mortgages, which require significant debt service payments. If the Corporation were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit Boardwalk's ability to vary its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Corporation operates

Multi-Family Residential Sector Risk: Boardwalk's income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Boardwalk than the existing lease. To mitigate this risk, the Corporation does not have any one or small group of significant tenants. Each operating lease signed is for a period of twelve months or less. The Corporation is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. While it is not expected that markets will significantly change in the near future, a disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by Boardwalk's properties as a result of downward pressure on rents.

Environmental Risks: As an owner and manager of real property, Boardwalk is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could saddle Boardwalk with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Boardwalk's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against Boardwalk. Boardwalk is not aware of any material non-compliance with environmental laws at any of its properties. The Corporation is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. Boardwalk has formal policies and procedures to review and monitor environmental exposure. The Corporation has made, and will continue to make, the necessary capital expenditures for compliance with laws and regulations. Environmental laws and regulations can change rapidly and may become subject to more stringent laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on Boardwalk's business, financial condition or results of operation.

Ground Lease Risk: Four of Boardwalk's properties, located in Calgary, Edmonton, and two in Montreal, are subject to long-term ground leases and similar arrangements in which the underlying land is owned by a third party and leased to the Corporation. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. These leases are set to expire between 2028 and 2096. The ground lease for the largest Montreal property, known as the Nun's Island portfolio, is also subjected to a rent revision clause, which commences on December 1, 2008. It is phased in on a property-by-property basis through to 2015, and is based on 75% of the land value in its current use. After that revision, the land rent will remain constant thereafter through to 2064. An

event of default by Boardwalk under the terms of a ground lease could also result in a loss of the property subject to such ground lease, should the default not be rectified in a reasonable period of time. The Corporation is not aware of any default under the terms of the ground leases.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking tenants. Although it is Boardwalk's strategy to own multi-family properties in premier locations in each market in which it operates, some of the apartments of Boardwalk's competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on Boardwalk's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Boardwalk's revenues and its ability to meet its obligations.

General Uninsured Losses: Boardwalk carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Boardwalk currently has insurance for earthquake risks, subject to certain policy limits, deductibles and self- insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Boardwalk could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Specific Risks

Credit Risk is the risk of loss due to failure of a contracted Customer to fulfill the obligation of required payments.

For Boardwalk, the key credit risk involves the possibility that its Customers will be unable or unwilling to fulfill their lease term commitments. To mitigate this risk, the Company continues to diversify its portfolio to various major centres across Canada. Further, each of the Corporation's rental units has its own individual lease agreement, thus Boardwalk has no material financial exposure to any particular Customer or group of Customers. The Company continues to utilize extensive screening processes for all potential Customers including, but not limited to, detailed credit checks.

Market Risk is the risk that the Company could be adversely affected due to market changes in product supply, interest rates and regional rent controls.

Boardwalk's principal exposures to market risk are in the areas of new multi-family housing supply, changes to rent controls, utility price increases, property tax increases, higher interest rates and mortgage renewal risk.

Supply Risk is the risk that the Corporation would be negatively affected by the new supply of, and demand for, multi-family residential units in its major market areas.

Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents. No signs of significant new rental construction are currently evident in any of Boardwalk's existing markets. Studies have shown that in order to economically justify new rental construction in Boardwalk's major markets, an increase in existing rental rates of hundreds of dollars will be necessary. However, in certain market areas such as Calgary, Alberta, there has been a significant increase in the number of new condominiums constructed over the past few years. Although these normally are earmarked as owner-occupied properties, a significant number of these condominium units have been, or may be, converted to rental stock.

Risk Management for Supply

Boardwalk's performance will always be affected by the supply and demand for multi-family rental real estate in Canada. The potential for reduced rental revenue exists in the event that Boardwalk is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Boardwalk has minimized these risks by:

- Increasing Customer satisfaction;
- Diversifying its portfolio across Canada, particularly with the recent expansion into the eastern market, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walkups, each with its own market niche;
- Maintaining a wide variety of suite mix, including bachelor suites, one, two, three and four-bedroom units;
- Building a broad and varied Customer base, thereby avoiding economic dependence on larger-scale tenants;
- Focusing on affordable multi-family housing, which is considered a stable commodity;

- Developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product; and
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with Boardwalk's existing operations and management expertise.

Interest Risk is the combined risk that the Company would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of a mortgage the Company would be unable to renew the maturing debt either with the existing or an additional lender (Renewal Risk).

The Company manages its interest rate risk by maintaining a balanced maturing portfolio with no significant amount coming due in any one particular period. In addition, the majority of Boardwalk's debt is insured with NHA insurance. This insurance allows Boardwalk to increase the overall credit quality of the mortgage and, as such, enable the Company to obtain preferential interest rates. The majority of Boardwalk's mortgage debt is financed for periods ranging between five and ten years. Given the current low interest rate environment, the Company is currently exploring the possibility increasing the proportion of its floating rate debt.

The use of NHA insurance also assists Boardwalk in managing its renewal risk. Given the increased credit quality of such debt, the probability of the Company being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced.

Rent Control Risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets in which Boardwalk operates, that may have an adverse impact on the Company's operations. The two newest markets for Boardwalk are Ontario and Quebec, both of which currently have rent control legislation.

Under Ontario's rent control legislation, commonly known as "rent de-control", a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulation. For 2003 and 2004, the guideline amount has been established at 2.9% for each of the respective years. This adjustment is meant to take into account the income of the building and the municipal and school taxes, the insurance bills, the energy costs, maintenance and service costs. When a unit is vacated, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

Under Quebec's rent control legislation, a landlord is entitled to increase the rent for existing tenants once a year for the rent period starting after April 1st of the current year but before April 1st of the following year. While there is no fixed rate increase specified by regulation, rent increases normally. Rent increases also take into account a return on capital expenditures (for 2003 and 2004, this return is 4.9% and 4.1%, respectively), if such expenditures were incurred, and an indexing of the net income of the building. Average rent increase estimates for the period starting after April 1st, 2004 and before April 2nd, 2005, before any consideration for increases to municipal and school taxes and capital expenditures, are: 1.5% for electricity-heated dwellings, 3.1% for gas-heated dwellings, 3.0% for oil-heated dwellings and 1.4% for non-heated dwellings.

Currently, rent control legislation does not exist in, and is not planned for, Alberta or Saskatchewan.

To manage this risk in a market where rent controls are in place, existing rules in that market are extensively researched before the Company enters that market. As well, where possible, the Corporation will ensure it employs Associates who are experienced in working in such controlled environments. The Company also adjusts forecast assumption on new acquisitions to ensure they are reasonable, given the rent control environment.

Utility and Property Tax Risk relates to the potential loss the Company may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes.

Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For Boardwalk, these re-valuations have resulted in significant increases in some property assessments due to enhancements, which are not represented on Boardwalk's balance sheet (as such representations are contrary to existing GAAP reporting standards). To address this risk, Boardwalk has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that Boardwalk cannot to pass on to the Customer may have a negative material impact on the Company. To mitigate this risk, the Company has begun to play a more active role in controlling the fluctuation and predictability of this risk. Through the combined use of financial instruments and resource contracts with varying maturity

dates, exposure to these fluctuations has been reduced. In addition to this, the following steps have been implemented:

- Where possible, economical electrical sub-metering devices are being installed, passing on the responsibility for electricity charges to the end Customer.
- In other cases, rents have been, or will be, adjusted upward to cover these increased costs.

Operational Risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

The Company endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and improvements are implemented, if deemed necessary.

Critical Accounting Policies

Boardwalk's accounting policies are described in Note 1 to the consolidated financial statements. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). In applying these policies, in certain cases it is necessary to use estimates. In determining estimates, management uses the information available to the Corporation at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. The Corporation considers the following policies to be critical in determining the judgments that are involved in the preparation of the consolidated financial statements and the uncertainties that could affect the reported results.

AMORTIZATION OF BUILDING ASSET

Boardwalk's policy with respect to the amortization of its building assets is the use of the "sinking-fund method". Using this methodology, amortization charges increase as an asset ages. The "sinking-fund method" of amortization is not permitted under U.S. GAAP. In the determination of the amortization amount, it is necessary to estimate the useful life of the asset, the discount rate, and the salvage value, if any. A significant change to any of these estimates may result in a material charge to the Corporation's earnings during the period in question. As was discussed previously, effective January 1, 2004, the Company is changing its policy on the amortization of its building assets from the sinking-fund method to the straight-line method. Under the straight-line method, the balance of the assets will be amortized on an equal basis over what is estimated to be the useful life of such assets. This method is permitted under U.S. GAAP. The application of this change in policy will be prospective based on the net book value of the building assets at December 31, 2003. This prospective treatment is in accordance with the transitional provision of CICA Handbook Section 1100.

NET RECOVERABLE AMOUNT

On a quarterly basis, Boardwalk reviews the valuation of its real estate assets. It compares the reported book value with the calculated net recoverable values as described in Note 1 to the consolidated financial statements. In determining the net recoverable amount, it is necessary, on a non-discounted basis, to pro forma the results of each individual real estate building for a period of ten years. At the same time, an estimated residual value is also determined. The sum of these amounts is compared with the outstanding debt and equity in each asset. If it is determined that the combined ten-year cash flow and estimated residual is less than the amount reported as outstanding debt and equity, the asset is then written down to this amount with an offsetting charge to current period earnings.

In calculating the residual value of its properties, Boardwalk must determine the appropriate capitalization rate to be applied to the estimated cash flows. Due to the value cycle of real estate, market capitalization rates may change over time. Boardwalk performs this analysis with a range of capitalization rates designed to provide sensitivity for these market changes. The actual capitalization rate and estimated pro forma results may differ materially from actual performance, which may also result in a charge to the Corporation's earnings. To date, no such charge has been recorded against earnings.

STANDARDIZED WAGE COSTS

On a quarterly basis, the Company estimates the amount of time its onsite maintenance Associates spend working on capital projects. The assumptions used in making the estimates and any changes made are treated prospectively.

Future Objectives

Boardwalk is currently in the process of preparing documentation to be submitted to Shareholders for consideration of, through a plan of arrangement, the conversion of Boardwalk to a Real Estate Investment Trust. More details on this conversion are available in the Management Information Circular dated March 29, 2004. The reader is encouraged to review this separately-filed document for a better understanding of the process and related risks. Until this process is completed, our future objectives will assume a corporate structure rather than the proposed trust structure.

It is management's current belief that the Company is well positioned for continued growth.

In terms of internal growth, management will continue to focus on operations, with an emphasis on maximizing revenues, increasing efficiency and cost control. With average rents well below new construction rates, relatively low vacancy rates, and strong market fundamentals, the Corporation expects continued upward pressure on rents over the next several years in most of its major markets. Given that estimated market rents are currently above Boardwalk's rent levels, the Company should also continue to benefit from closing this gap over the next several years on lease renewals, unit turnovers or as rental increases occur.

In terms of external growth, management continues to be focused on acquiring properties in existing and selected new markets that meet its investment criteria. Although Boardwalk does not currently anticipate rates of portfolio growth similar to those experienced in prior years, the Company believes there continues to be significant opportunities for future expansion and diversification.

Overall, the following are the objectives set by the Company for fiscal 2004:

	2004 Objectives	**2003 Actuals**	2002 Actuals
FFO Rental Operations	$1.44 to $1.50	**$1.37**	$1.24
FFO Property Sales	$0.00	**$0.02**	$0.02
Total FFO	$1.44 to $1.50	**$1.39**	$1.26
New Unit Acquisitions	1,000 to 2,000	**1,956**	3,558
Stabilized Buildings NOI Growth	1.0% to 2.0%	**-0.8%**	7.5%

Roberto A. Geremia
Senior Vice President, Finance
and Chief Financial Officer

Management's Report

To the Shareholders of Boardwalk Equities Inc.:

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Directors and by its audit committee which meets regularly with the auditors and management to review the activities of each. The audit committee, which comprises of three independent directors, reports to the Board of Directors.

Deloitte & Touche LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

Sam Kolias
President and Chief Executive Officer

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

Auditors' Report

To the Shareholders of Boardwalk Equities Inc.:

We have audited the consolidated balance sheets of Boardwalk Equities Inc. (the "Corporation") as at December 31, 2003 and 2002, and the consolidated statements of earnings, retained earnings and cash flows for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Calgary, Alberta
February 6, 2004

Consolidated Balance Sheets

(Cdn$ Thousands)

As at December 31,	2003	2002
ASSETS		
Revenue producing properties (NOTE 2)	**$ 1,713,171**	$ 1,604,277
Properties held for resale	**7,493**	7,038
Mortgages and accounts receivable (NOTE 4)	**13,126**	14,704
Other assets (NOTE 5)	**14,652**	13,723
Deferred financing costs	**38,044**	37,521
Segregated tenants' security deposits	**6,771**	7,596
Cash and cash equivalents	**10,123**	23,631
	$ 1,803,380	$ 1,708,490
LIABILITIES		
Mortgages payable (NOTE 7)	**$ 1,387,067**	$ 1,307,177
Accounts payable and accrued liabilities	**19,801**	21,498
Refundable tenants' security deposits and other	**9,730**	10,496
Capital lease obligations (NOTE 6)	**3,515**	4,598
Future income taxes (NOTE 10)	**74,765**	62,976
	$ 1,494,878	$ 1,406,745
SHAREHOLDERS' EQUITY		
Share capital (NOTE 8)	**275,509**	266,516
Retained earnings	**32,993**	35,229
	$ 308,502	301,745
	$ 1,803,380	$ 1,708,490

See accompanying notes to the consolidated financial statements

Approved by the Board:

Sam Kolias
Director

David V. Richards
Director

Consolidated Statements of Earnings

(Cdn$ Thousands, except per share amounts)

Year ended December 31,	2003	2002
REVENUE		
Rental income	$ 270,992	$ 241,575
Sales - properties held for resale	–	7,498
	270,992	249,073
EXPENSES		
Revenue producing properties:		
Operating expenses	33,819	26,182
Utilities	34,736	32,489
Utility rebate (NOTE 1 (g) (iii))	–	(3,692)
Property taxes	26,217	23,664
Cost of sales – properties held for resale	–	6,531
Administration	23,290	19,921
Financing costs	76,630	74,181
Deferred financing costs amortization	3,227	3,239
Amortization (NOTE 1)	50,766	46,691
	248,685	229,206
Operating earnings before the following:	22,307	19,867
Gain on debt settlement	–	(692)
Earnings from continuing operations before income taxes	22,307	20,559
Large corporations taxes	3,546	3,600
Future income taxes (NOTE 10)	11,761	5,406
Earnings from continuing operations	$ 7,000	$ 11,553
Earnings from discontinued operations, net of tax	751	23
Net earnings for the year	$ 7,751	$ 11,576
Basic earnings per share (NOTE 9)		
- from continuing operations	$ 0.14	$ 0.23
- from discontinued operations	0.01	–
Basic earnings per share	$ 0.15	$ 0.23
Diluted earnings per share (NOTE 9)		
- from continuing operations	$ 0.14	$ 0.23
- from discontinued operations	0.01	–
Diluted earnings per share	$ 0.15	$ 0.23

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings

(Cdn$ Thousands)

Year ended December 31,	2003	2002
Retained earnings, beginning of year	**$ 35,229**	$ 26,782
Net earnings for the year	**7,751**	11,576
Dividends paid	**(9,595)**	(2,477)
Premium on share repurchases	**(392)**	(652)
Retained earnings, end of year	**$ 32,993**	$ 35,229

See accompanying notes to the consolidated financial statements

Consolidated Statement Of Cash Flows

(Cdn$ Thousands)

Year ended December 31,	2003	2002
Operating activities		
Net earnings for the year	$ 7,751	$ 11,576
Earnings from discontinued operations, net of tax	(751)	(23)
Future income taxes	11,761	5,406
Amortization	50,766	46,691
Gain on debt settlement	–	(692)
Funds from continuing operations	69,527	62,958
Funds from discontinued operations	33	94
Net change in operating working capital	(489)	7,434
Net change in properties held for resale	1,442	5,702
Total operating cash flows	70,513	76,188
Financing activities		
Issue of common shares for cash (net of issue costs)	9,229	8,828
Stock repurchase program	(628)	(1,167)
Dividends paid	(9,595)	(2,477)
Financing of revenue producing properties	177,208	305,841
Repayment of debt on revenue producing properties	(138,292)	(238,708)
Deferred financing costs incurred (net of deferred financing costs amortization)	(3,342)	(5,544)
	34,580	66,773
Investing activities		
Purchases of revenue producing properties (NOTE 2)	(68,831)	(102,926)
Project improvements to revenue producing properties	(49,047)	(39,433)
Net cash proceeds from sale of properties	1,223	–
Technology for real estate operations	(1,946)	(2,643)
	(118,601)	(145,002)
Net (decrease) increase in cash and cash equivalents balance during year	(13,508)	(2,041)
Cash and cash equivalents, beginning of year	23,631	25,672
Cash and cash equivalents, end of year	$ 10,123	$ 23,631
Taxes paid	$ 3,399	$ 3,691
Interest paid	$ 76,468	$ 72,486

See accompanying notes to the consolidated financial statements

Notes To Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(Tabular amounts in Cdn$ thousands, except number of shares and per share amounts UNLESS OTHERWISE STATED)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Operations

Boardwalk Equities Inc. (the "Corporation") is a real estate corporation that specializes in multi-family residential housing.

(b) Basis of presentation and principles of consolidation

The Corporation's accounting policies and its standards of financial disclosure conform with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries, including Suite Systems Inc. ("SSI"), and HomeXpress Limited ("HomeXpress"). HomeXpress is a public company of which the Corporation owns 63%. That company is no longer in operation as of October 11, 2001. All material inter-company transactions have been eliminated.

(c) Revenue recognition

i. Revenue from a rental property is recognized once the Corporation has attained substantially all of the benefits and risks of ownership of the rental property. Rental revenue includes rents, parking and other sundry revenues. All residential leases are for one-year terms or less; consequently, the Corporation accounts for leases with its tenants as operating leases.

ii. Revenue from the sales of property held for resale is recognized when all conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit (usually 15%) has been received and there is reasonable assurance on the collectibility of any outstanding amount.

(d) Real estate properties

i. Revenue producing properties

Revenue producing real estate properties, which are held for investment, are stated at the lower of cost less accumulated amortization or "net recoverable amount". Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with upgrading the existing facilities, other than ordinary repairs and maintenance, are capitalized and amortized as project improvements.

The net recoverable amount represents the undiscounted estimated future net cash flows expected to be received from the ongoing use of the property plus its residual value. To arrive at this amount, the Corporation projects future net cash flows over a maximum of 10 years and includes the proceeds from the estimated residual sale value at the end of that period. The projections take into account management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area.

ii. **Properties held for resale**

The Corporation capitalizes all direct costs, net of related revenue. Direct costs include property taxes, administration costs, finance costs and other costs associated with the cost of property held for resale. Real estate properties held for resale are recorded at the lower of cost or net realizable value.

(e) Amortization

Revenue producing real estate properties are amortized over the estimated useful lives of the assets. Amortization is computed using the sinking-fund method using an interest rate of 4% over a period of 40 to 50 years for buildings and the declining-balance method at rates ranging from 8% to 35% for other non-building assets.

Under the sinking-fund method used to amortize revenue producing buildings, an increasing amount is charged to income consisting of a fixed annual sum, together with interest compounded at an interest rate of 4%, so as to fully amortize the buildings over their estimated life from date of acquisition.

At January 1, 2002, the Corporation revised the estimates on the economic usefulness of certain non-building assets. This change in accounting estimate was treated prospectively.

Beginning January 1, 2004, the Corporation will adopt the straight-line method to compute amortization of its revenue producing buildings. The adoption of the straight-line method from the sinking-fund method will be applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100.

(f) Deferred financing costs

Insurance premiums paid to Canada Mortgage and Housing Corporation ("CMHC") to obtain insurance through the National Housing Act ("NHA") are amortized between 25 and 40 years on a straight-line basis. Upon the refinancing of a mortgage, any unamortized insurance premium associated with the previous mortgage is written off to income. Costs of refinancing are amortized on a straight-line basis over the term of the new loan.

(g) Risk management and fair value

Risk Management

The Corporation is exposed to financial risk that arises from the fluctuation in interest rates, the credit quality of its tenants, and the fluctuation in utility rates. These risks are managed as follows:

i. **Interest rate risk**

Interest rate risk is minimized through the Corporation's current strategy of having the majority of its mortgages payable in fixed term arrangements. In addition, management is constantly reviewing its operating facility and, if market conditions warrant, the Corporation has the ability to convert its existing demand debt to fixed rate debt. The Corporation had demand debt outstanding of $nil at December 31, 2003 (December 31, 2002 - $nil). In addition, the Corporation structures its financings so as to stagger the maturities of its debt, thereby minimizing the Corporation's exposure to interest rate fluctuations.

The majority of the Corporation's mortgages are insured by CMHC under the NHA mortgage program. This added level of insurance offered to lenders allow the Corporation to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely.

ii. **Credit risk**

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The Corporation mitigates this risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect to all new leasing. In addition, where legislation allows, the Corporation obtains a security deposit to assist in a potential recovery requirement.

iii. **Utilities**

At December 31, 2003, the Corporation has long-term supply arrangements with two electrical utility companies to supply the Corporation with its electrical power needs for Alberta for the next twenty-four to twenty-five months at a blended rate of approximately $0.07/kwh. These agreements provide that the Corporation purchase its power for all Alberta properties under contract for the upcoming months.

The Corporation also has two physical settlement fixed-price supply contracts for Alberta natural gas requirements. These contracts fix the price of natural gas for 75% of the Corporation's requirements in Alberta. The two contracts are for physical settlement, and each represents approximately 37.5% of the Corporation's Alberta requirements. The first of these contracts runs from January 1, 2003 to September 30, 2004 and provides the commodity at a price of $5.44/GJ. The second contract runs from October 1, 2003 to September 30, 2005 and provides the commodity at a price of $6.16/GJ.

In Saskatchewan, the Corporation has a physical supply agreement to supply 100% of the Corporation's natural gas requirements for that province. The agreement extends until October 31, 2005 at a fixed price of $5.20/GJ.

While the above utility contracts for both electrical power and natural gas reduce the risk of exposure to adverse changes in commodity prices, they also reduce the potential benefits of favourable changes in commodity prices. For accounting purposes, all settlements are recorded as utility expense in the period the settlement occurs.

As of March 2, 2002, ATCO Gas ("ATCO"), the transporter of all natural gas in Alberta, distributed a non-recurring rebate. The Alberta Energy and Utility Board instructed ATCO to rebate a portion of the sale proceeds of the Viking-Kinsella producing assets to ATCO North customers in the form of a one-time rebate. The rebate was distributed to all ATCO North customers, based on historical usage, at a rate of $3.325/GJ.

The Alberta Government introduced two separate rebate programs to assist corporations with the increase in energy prices in 2001. The natural gas rebate program expired in April 2001 (resulting in a disproportionate share of this rebate in the first quarter of 2001) and the electrical rebate program expired on December 31, 2001. Due to the current electricity pricing environment, there was not an extension of this program after 2001.

Fair Value

In accordance with the disclosure requirements of the CICA Handbook, the Corporation is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset. The fair values of the majority of the Corporation's financial assets and liabilities, representing net working capital, approximate their recorded values at December 31, 2003 and 2002 due to their short-term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. The significant financial instruments of the Corporation and their carrying values as of December 31, 2003 and 2002 are as follows:

As at December 31,	2003	2002
Mortgages and accounts receivable		
Carrying value	$ 13,126	$ 14,704
Fair market value	$ 13,126	$ 14,704
Mortgages payable		
Carrying value	$ 1,387,067	$ 1,307,177
Fair market value	$ 1,439,926	$ 1,349,780

The fair value of the Corporation's mortgages payable exceeds the recorded value by approximately $52.9 million at December 31, 2003 (December 31, 2002 - $42.6 million) due to changes in interest rates since the dates on which the individual mortgages were assumed. The fair value of the mortgages payable has been estimated based on the current market rates for mortgages with similar terms and conditions. The fair value of the Corporation's mortgages payable is an amount computed based on the interest rate environment prevailing at December 31, 2003 and 2002, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs to the Corporation, assuming no early extinguishment of existing debt is delivered upon.

(h) Use of estimates

The accounting process requires that management make, and periodically review, a number of estimates including the following material items:

i. economic useful life of buildings for purposes of calculating amortization as disclosed in Note 1(e);

ii. forecast of economic indicators in order to measure fair values of buildings for purposes of determining net recoverable amount under Canadian generally accepted accounting principles as discussed in Note 1(d);

iii. amount of capitalized on-site wages which relate to project improvements, as discussed in Note 2;

iv. amount of utility accrual for charges related to the current period; and

v. amount of provision for write-down of technology investments.

Actual results may differ from these estimates.

(i) Cash and cash equivalents

The Corporation considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

(j) Stock-based compensation plans

Effective January 1, 2003, the Corporation changed its accounting policy for stock options granted on or after that date to reflect the adoption of the revised CICA Handbook Section 3870. Under the new policy, the Corporation now determines the fair value of stock options, using an accepted option-pricing model, on their grant date and recognizes this amount as compensation expense over the period the stock options vest, with a corresponding increase to contributed surplus in Shareholders' equity. The new accounting policy has been applied prospectively in accordance with the transitional provision of Section 3870.

Previously under the Corporation's intrinsic value method policy, the Corporation did not record compensation expense for stock options granted to directors, executives and employees in the consolidated financial statements because there was no intrinsic value at the date of grant. Note 8 discloses the pro forma amounts to the Corporation's net earnings and net earnings per share for the years ended December 31, 2003 and 2002 had the impact of compensation costs using the fair value method been applied effective January 1, 2002.

(k) Disposal of long-lived assets

Effective January 1, 2003, the Corporation adopted the new CICA Handbook Section 3475, Disposal of Long-Lived Assets and Discontinued Operations, for disposals on or after January 1, 2003. The recommendations of this section requires disposal of long-lived assets be classified as held for sale, and the results of operations and cash flows associated with the assets disposed be reported separately as discontinued operations, less applicable income taxes. A long-lived asset is classified by the Corporation as an asset held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. For unsolicited interest in a long-lived asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period. The impact of adopting the new recommendations for disposals of long-lived assets on or after January 1, 2003 is disclosed in Note 3.

(l) **Disclosure of guarantees**

Effective January 1, 2003, the Corporation adopted Accounting Guideline 14 (AcG-14), Disclosure of Guarantees. This guideline provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given, regardless of whether it will have to make payments under the guarantees. Please refer to Note 13 for further disclosure on the Corporation's guarantees.

(m) **Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation, or as a result of accounting changes.

REVENUE PRODUCING PROPERTIES

As at December 31,	2003	2002
Land	$ 113,568	$ 96,749
Building and non-building assets	1,834,724	1,695,092
Total revenue producing properties	1,948,292	1,791,841
Less: accumulated amortization	(235,121)	(187,564)
	$ 1,713,171	$ 1,604,277

Acquisitions

Year ended December 31,	2003	2002
Cash paid	$ 68,831	$ 102,926
Debt assumed	38,834	110,829
Total purchase price	107,665	213,755
Fair value adjustments to debt	2,137	19,500
Book value	$ 109,802	$ 233,255
Units acquired	1,956	3,558

Dispositions

Year ended December 31,	2003	2002
Cash received	$ 1,385	$ 2,281
Vendor take back mortgage	–	500
Debt assumed	1,655	4,717
Total proceeds	3,040	7,498
Net book value	1,993	6,531
Gain on sales	$ 1,047	$ 967
Units sold	40	121

Included in revenue producing properties is capitalized wages of $5.1 million for the year ended December 31, 2003 and $4.7 million for the year ended December 31, 2002 relating to project improvements. Included in the cost of properties held for resale for the year are capitalized financing and property taxes costs of $0.4 million for the year ended December 31, 2003 and $0.5 million for the year ended December 31, 2002 less net operating revenue of $nil for each of the respective years. Real estate assets are pledged as security against mortgages payable.

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

During the first quarter of 2003, the Corporation received a $3.0 million unsolicited offer to purchase a 40-unit property located in Edmonton, Alberta. The sale was completed by the end of the first quarter of 2003. There were no other dispositions during the current year to date. Note 2 discloses the carrying amounts of the major assets and liabilities included in the disposition. The following table sets forth the results of operations associated with the long-lived asset, separately reported as discontinued operations for the current and prior years.

Year ended December 31,	2003	2002
Revenue		
Rental income	$ 86	$ 321
Expenses		
Revenue producing properties:		
Operating expenses	4	47
Utilities	17	58
Utility rebate (NOTE 1 (g) (iii))	–	(13)
Property taxes	6	22
Administration	2	10
Financing costs	24	103
Amortization	–	57
	53	284
Operating earnings from discontinued operations before income taxes	$ 33	$ 37
Future income taxes	12	14
Operating earnings from discontinued operations	21	23
Gain on disposition	1,047	–
Future income taxes	(317)	–
Earnings from discontinued operations	$ 751	$ 23

MORTGAGES AND ACCOUNTS RECEIVABLE

The mortgages and accounts receivable comprise an aggregate amount of $13.1 million at December 31, 2003 (December 31, 2002 - $14.7 million). In this balance, mortgages receivable arising on sales of property represents $6.9 million at December 31, 2003 (December 31, 2002 - $8.5 million) which comes due periodically up to May 2007. The Corporation is currently earning a weighted average interest rate of 1.9% at December 31, 2003 (December 31, 2002 - 3.04%) on these amounts. The remaining balance consists of mortgage holdbacks and incidental income earned but not yet received.

OTHER ASSETS

As at December 31,	2003	2002
Corporate technology assets (net of amortization)	$ 3,746	$ 4,658
Head office building (net of amortization)	2,546	3,261
Deposits on properties	1,200	950
Inventory	1,524	1,606
Re-organization and restructuring	2,124	–
Prepaid and other	3,512	3,248
	$ 14,652	$ 13,723

Re-organization and restructuring costs included in other assets of $2.1 million at December 31, 2003 (December 31, 2002 - $nil) is related to the Corporation's proposed re-organization into a real estate investment trust as described in Note 15 "Subsequent Events".

TECHNOLOGY INVESTMENTS

There was no provision for loss of technology investments made for the years ended December 31, 2003 and 2002.

The Corporation still has capital leases totalling $3.5 million at December 31, 2003 (December 31, 2002 - $4.6 million) with a weighted average interest rate of 9.7% (December 31, 2002 - 9.7%) relating to a telecommunication initiative that was terminated on October 18, 2001. Future minimum payments under capital leases together with the balance of the obligation due under capital leases are as follows for the year ending:

As at December 31,	2003	2002
2003	$ –	$ 1,481
2004	1,481	1,481
2005	1,330	1,330
2006	1,222	1,222
2007	–	–
Total	4,033	5,514
Less amount representing interest	518	916
Total net obligation	$ 3,515	$ 4,598

MORTGAGES PAYABLE

(a) Revenue producing properties

As at December 31,	2003	2002
Mortgages payable bearing interest at a weighted average of 5.68% at December 31, 2003 (December 31, 2002 - 5.87%) per annum, payable in monthly principal and interest instalments totalling $9.3 million for the year ended December 31, 2003 (December 31, 2002 - $8.9 million), mature from 2004 to 2020 and are secured by specific charges against specific properties.	$ 1,385,268	$ 1,305,349

(b) Other assets

Mortgages payable bearing interest at a weighted average of 7.92% at December 31, 2003 and 2002 per annum, payable in monthly principal and interest instalments totalling $15 thousand for the years ended December 31, 2003 and 2002, mature in September 2010 and are secured by specific charges against specific properties.	1,799	1,828
	$ 1,387,067	$ 1,307,177

Estimated principal payments required to meet mortgage obligations as at December 31, 2003 are as follows:

	Revenue Producing Properties	Other Assets	Total
2004	$ 194,309	$ 36	$ 194,345
2005	153,260	39	153,299
2006	190,258	42	190,300
2007	242,752	45	242,797
2008	240,723	48	240,771
Subsequent	363,966	1,589	365,555
	$ 1,385,268	$ 1,799	$ 1,387,067

Estimated principal payments required to meet mortgage obligations as at December 31, 2002 are as follows:

	Revenue Producing Properties	Other Assets	Total
2003	$ 213,220	$ 36	$ 213,256
2004	119,340	39	119,379
2005	92,241	42	92,283
2006	108,709	45	108,754
2007	223,616	49	223,665
Subsequent	548,223	1,617	549,840
	$ 1,305,349	$ 1,828	$ 1,307,177

CMHC provides mortgage loan insurance in connection with mortgages made to the Corporation. On September 13, 2002, the Corporation and CMHC entered into an agreement (the "Agreement") whereby the Corporation will provide certain financial information and be subject to certain restrictive covenants, including limitation on additional debt, distribution of dividends in respect of capital stock in the event of default, and maintenance of certain financial ratios. In the event of default, the Corporation's total financial liability under this Agreement is limited to a one-time penalty payment of $250 thousand under a Letter of Credit issued in favour of CMHC.

(c) Demand facilities

The Corporation has a demand facility in the form of an acquisition and operating line. This demand facility is secured by a first or second mortgage charge of specific assets. The maximum amount available varies with the value of pledged assets to a maximum not to exceed $100.0 million. Approximately $34.8 million was available from this facility on December 31, 2003 (December 31, 2002 - $34.0 million). An amount of $nil was outstanding at December 31, 2003 and 2002. This facility carries an interest rate ranging from prime plus 0.5% to prime plus 1.5% per annum, and has no fixed terms of repayment. The facility is reviewable annually by the Bank.

8 SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

Issued:

Preferred shares

The Corporation did not issue any preferred shares for the years ended December 31, 2003 and 2002. There was a total of 8,945,155 (2003 - $8,945,155; 2002 - $8,945,155) preferred shares outstanding at December 31, 2003 and 2002. These preferred shares are offset by non-interest bearing notes receivable from the holders of the preferred shares for the equivalent amount. Both the preferred shares and the notes receivable are retractable at either party's option and may legally be offset against each other. Accordingly, these have been offset for consolidated financial statement presentation.

Common shares	Shares	Amount
December 31, 2003	50,868,119	$ 275,509
December 31, 2002	50,109,314	$ 266,516

Details of shares issued are as follow:

December 31, 2001	49,404,281	$ 258,202
On exercise of stock options	801,633	8,828
Share buy-back, recorded at book value of shares	(96,600)	(514)
December 31, 2002	50,109,314	266,516
On exercise of stock options	802,805	9,229
Share buy-back, recorded at book value of shares	(44,000)	(236)
December 31, 2003	50,868,119	$ 275,509

The Corporation commenced a normal course issuer bid on March 3, 2000 allowing it to purchase up to 2,236,400 common shares for cancellation until its termination on March 2, 2001 or such earlier time as the bid is complete. This bid was extended with a termination date to March 22, 2002 or such earlier time as the bid is complete. On August 6, 2002, the Corporation commenced a normal course issuer bid allowing it to purchase up to 3,267,840 common shares for cancellation until its termination on August 5, 2003 or such earlier time as the bid is complete. On August 25, 2003, the Corporation commenced a normal course issuer bid allowing it to purchase up to 2,770,228 common shares for cancellation until its termination on August 24, 2004 or such earlier time as the bid is complete. The Corporation acquired and cancelled 44,000 common shares at December 31, 2003 (December 31, 2002 - 96,600) at a cost of $0.6 million (December 31, 2002 - $1.2 million). The excess of the cost over stated value of the shares acquired of $0.4 million at December 31, 2003 (December 31, 2002 - $0.7 million) has been charged to retained earnings.

(b) Stock options

Under the stock option plan, the Company grants options to directors, executives and employees. The stock option plan provides for the granting of options to purchase up to 10,643,636 common shares at December 31, 2003 (December 31, 2002 - 10,643,636). The exercise price is equal to the market value of the common shares at the date of grant. Vesting periods range from immediate vesting for certain executives to five year vesting for remaining employees and directors. Options are granted at management's discretion with Board of Directors' approval being required. No option may be exercisable more than 10 years from the date of grant. There was a total of 2,398,828 options outstanding at December 31, 2003 (December 31, 2002 - 3,480,072) to directors, officers and employees. The exercise prices range from $9.11 to $16.73 at December 31, 2003 (December 31, 2002 - $9.11 to $22.92). These options expire up to August 28, 2012. All options were issued at market price.

Changes in options outstanding during year

The following table depicts the changes in options in the years presented:

	December 31, 2003		December 31, 2002	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**3,480,072**	**$ 12.46**	3,647,834	$ 12.60
Granted	**–**	**–**	930,722	$ 12.16
Exercised	**(802,805)**	**$ 11.50**	(801,633)	$ 11.02
Forfeited	**(278,439)**	**$ 18.01**	(296,851)	$ 17.14
Outstanding at end of year	**2,398,828**	**$ 12.20**	3,480,072	$ 12.46

Options exercisable at year end

The following table summarized information about the options outstanding and exercisable at December 31, 2003:

	Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price
$9.01 to $11.00	283,300	6.4	$ 9.74	263,900	6.4	$ 9.75
$11.01 to $13.00	1,694,792	5.6	$ 11.94	1,013,934	6.0	$ 11.85
$13.01 to $15.00	242,636	5.7	$ 13.85	178,640	5.5	$ 13.66
$15.01 to $17.00	178,100	5.3	$ 16.26	140,700	5.2	$ 16.46
	2,398,828	5.7	$ 12.20	1,597,174	5.9	$ 12.11

The following table summarized information about the options outstanding and exercisable at December 31, 2002:

	Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price
$9.01 to $11.00	647,800	7.1	$ 9.41	605,000	7.1	$ 9.40
$11.01 to $13.00	1,979,222	6.6	$ 11.95	910,698	7.4	$ 11.76
$13.01 to $15.00	401,450	6.1	$ 14.03	275,812	5.5	$ 13.88
$15.01 to $17.00	279,900	6.4	$ 16.17	178,520	6.3	$ 16.34
$17.01 to $19.00	79,700	0.2	$ 17.94	79,700	0.2	$ 17.94
$19.01 to $21.00	23,000	0.2	$ 19.73	23,000	0.2	$ 19.73
$21.01 to $23.00	69,000	0.3	$ 22.55	69,000	0.2	$ 22.55
	3,480,072	6.3	$ 12.46	2,141,730	6.4	$ 12.41

The Corporation did not record compensation expense for stock options granted prior to January 1, 2003 to directors, executives and employees in the financial statements because there was no intrinsic value, as defined by CICA Handbook, Section 3870, at the date of grant. As required by Canadian GAAP, the impact on compensation costs of using a fair value based method, as if the compensation costs had been recorded in net earnings, must be disclosed. If the fair value basic method had been used for stock options granted for the year ended December 31, 2002, the Company's net earnings and net earnings per share would approximate the following pro forma amounts for the years ended December 31, 2003 and 2002:

Year ended December 31,	**2003**	2002
Compensation costs	**$ (2,064)**	$ (1,931)
Net earnings		
As reported	**$ 7,751**	$ 11,576
Pro forma	**$ 5,687**	$ 9,645
Net earnings per common share		
Basic		
As reported	**$ 0.15**	$ 0.23
Pro forma	**$ 0.11**	$ 0.19
Diluted		
As reported	**$ 0.15**	$ 0.23
Pro forma	**$ 0.11**	$ 0.19

The fair value of each option granted was estimated to be $6.74 on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

Risk free interest rate	5.33%
Expected lives (years)	7 – 10 years
Expected volatility	42.56%
Dividend per share	$0.05

The Corporation did not grant any stock options subsequent to December 31, 2002.

9 PER SHARE CALCULATIONS

The following table sets forth the computation of basic and diluted earnings per share with respect to earnings from continuing operations and earnings from discontinued operations.

Year ended December 31,	2003	2002
Numerator		
Earnings from continuing operations	$ 7,000	$ 11,553
Earnings from discontinued operations	$ 751	$ 23
Denominator		
Denominator for basic earnings per share – weighted average shares (Thousands)	50,380	49,717
Effect of dilutive securities		
Stock options (Thousands)	511	525
Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion (Thousands)	50,891	50,242
Earnings per share from continuing operations		
Basic	$ 0.14	$ 0.23
Diluted	$ 0.14	$ 0.23
Earnings per share from discontinued operations		
Basic	$ 0.01	$ 0.00
Diluted	$ 0.01	$ 0.00

10 INCOME TAXES

The Corporation has tax losses at December 31, 2003 of approximately $209 million available to reduce future taxable income, the benefit of which has been accounted for in computing future income taxes. These losses begin to materially expire in 2005, subject to the ability of the Corporation to re-file and further amend its income tax returns. The adjustment for changes in the effective tax rate reflects the benefit of the reduction of the current combined federal and provincial substantially enacted rates from 37% reducing to 35% for the year ended December 31, 2003 (December 31, 2002 - 39% reducing to 34%).

The Corporation's provision for future income taxes is comprised as follows:

Year ended December 31,	2003	2002
Continuing operations	$ 11,761	$ 5,406
Discontinued operations	329	14
Total future income taxes	$ 12,090	$ 5,420

The future income tax expense is computed as follows:

Year ended December 31,	2003	2002
Tax expense based on expected rate	$ 8,716	$ 8,129
Non-taxable portion of capital gains	(223)	(190)
Adjustment to future income tax liabilities	1,615	1,685
Adjustment for change in effective tax rate	1,982	(4,204)
Future income tax expense	$ 12,090	$ 5,420

The future income tax liability is calculated as follows:

As at December 31,	2003	2002
Tax assets related to operating losses	$ 77,354	$ 63,254
Tax liabilities related to differences in tax and book basis	(152,119)	(126,230)
Future income tax liability	$ (74,765)	$ (62,976)

11 RELATED PARTY TRANSACTIONS

There were no related party transactions for the years ended December 31, 2003 and 2002.

COMMITMENTS AND CONTINGENCIES

The Corporation has long-term supply arrangements with two electrical utility companies and commitments for fixed-price natural gas supply contracts as described in Note 1(g)(iii).

The Corporation, in the normal course of operations, will become subject to a variety of legal and other claims against the Corporation. Management and the Corporation's legal counsel evaluate all claims on their apparent merits, and accrue Management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Corporation will not be material to the Corporation.

The Corporation has established a group registered retirement savings plan for its employees whereby the Corporation will match the contributions of the employees to a maximum of 3% of regular earnings earned in a calendar year or one-half the contribution limit set for registered retirement savings plans, whichever is less. The Corporation's costs totalled approximately $338 thousand for the year ended December 31, 2003 (December 31, 2002 - $127 thousand). There was no requirement for future contributions in respect of past service.

GUARANTEES

In the normal course of business, the Corporation enters into various agreements that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires the Corporation to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties by the Corporation, a mortgage assumed by the purchaser will have an indirect guarantee provided by Boardwalk to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, Boardwalk would be liable for the outstanding mortgage balance. The Corporation's maximum exposure at December 31, 2003 is approximately $6.2 million. In the event of default, the Corporation's recourse for recovery includes the sale of the respective building asset. The Corporation expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at December 31, 2003, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

SEGMENTED INFORMATION

The Corporation specializes in multi-family residential housing and operates primarily within one business segment in four provinces located in Canada. The following summary presents segmented financial information for the Corporation's business by geographic location:

Year ended December 31,	2003	2002
Alberta		
Revenue	$ 152,583	$ 151,076
Expenses		
Operating	19,013	15,455
Utilities	19,208	20,978
Utility rebate	–	(3,386)
Property taxes	11,016	11,358
	49,237	44,405
Net operating income	$ 103,346	$ 106,671
Saskatchewan		
Revenue	$ 34,038	$ 32,893
Expenses		
Operating	4,585	4,163
Utilities	3,928	3,979
Property taxes	4,723	4,778
	13,236	12,920
Net operating income	$ 20,802	$ 19,973
Ontario		
Revenue	$ 34,850	$ 33,327
Expenses		
Operating	4,838	4,473
Utilities	5,846	5,369
Utility rebate	–	(295)
Property taxes	5,679	5,364
	16,363	14,911
Net operating income	$ 18,487	$ 18,416
Quebec (operations commenced May 2002)		
Revenue	$ 48,276	$ 21,962
Expenses		
Operating	5,189	2,147
Utilities	5,650	1,906
Property taxes	4,725	2,074
	15,564	6,127
Net operating income	$ 32,712	$ 15,835
Total		
Net operating income	$ 175,347	$ 160,895
Unallocated revenue*	4,370	10,136
Unallocated expenses**	(171,966)	(159,455)
Net income	$ 7,751	$ 11,576

As at December 31,	2003	2002
Alberta		
Identifiable assets		
Revenue producing properties	$ 969,196	$ 971,598
Mortgages and accounts receivable	8,338	8,550
Deferred financing costs	26,621	25,464
Tenants' security deposit	5,674	6,559
	$ 1,009,829	$ 1,012,171
Saskatchewan		
Identifiable assets		
Revenue producing properties	$ 178,867	$ 180,792
Mortgages and accounts receivable	11	22
Deferred financing costs	4,585	4,714
Tenants' security deposits	1,096	1,037
	$ 184,559	$ 186,565
Ontario		
Identifiable assets		
Revenue producing properties	$ 215,428	$ 215,175
Mortgages and accounts receivable	250	1,166
Deferred financing costs	2,709	2,954
	$ 218,387	$ 219,295
Quebec		
Identifiable assets		
Revenue producing properties	$ 342,364	$ 229,272
Mortgages and accounts receivable	4,425	4,709
Deferred financing costs	4,102	4,357
	$ 350,891	$ 238,338
Total assets		
Identifiable assets	$ 1,763,666	$ 1,656,369
Unallocated assets***	39,714	52,121
	$ 1,803,380	$ 1,708,490

* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

** Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, administration, financing costs, amortization, income taxes and other provisions.

*** Unallocated assets include properties held for development, cash, short-term investments and other assets.

SUBSEQUENT EVENTS

On January 13, 2004, the Corporation filed a Management Information Circular with respect to a proposed re-organization of the Corporation into a real estate investment trust and a secondary offering of the Corporation's shares. In addition, the Corporation also executed the Acquisition and Arrangement Agreement in connection with the proposed reorganization.

Subsequent to December 31, 2003, the Corporation contracted to acquire 183 residential units from an unrelated third party for a purchase price of $16.9 million. The acquisition will be financed through cash of $8.7 million and the assumption of existing mortgages.

On January 9, 2004, Boardwalk's Board of Directors recommended to the Shareholders of the Company that they vote in favour of the proposed reorganization of the Company into a Real Estate Investment Trust. The Board also agreed that this recommendation would constitute a change in control and all existing unvested stock option agreements would vest immediately.

Five Year Summary

(Cdn$ Thousands, except per share amounts)

	1999	2000	7 Months ending Dec 31, 2000	2001	2002	2003
Total Revenues	186,000	217,971	147,082	227,269	249,073	**270,992**
Revenue producing properties						
Rental income	140,590	178,147	110,771	205,281	241,575	**270,992**
	140,590	178,147	110,771	205,281	241,575	**270,992**
Operating Expenses						
Revenue producing properties	20,050	22,471	14,121	22,865	26,182	**33,819**
Property Taxes	12,285	18,431	11,004	19,743	23,664	**26,217**
Utilities	14,595	20,140	14,713	26,582	28,797	**34,736**
Financing costs	46,401	58,212	37,425	67,367	77,420	**79,857**
Amortization	26,545	38,177	27,811	53,584	46,691	**50,766**
	119,876	157,431	105,074	190,141	202,754	**225,395**
Operating Earnings before corporate charges	20,714	20,716	5,697	15,140	38,821	**45,597**
Cash flow before corporate charges	47,259	58,893	33,508	68,724	85,512	**96,363**
Sales of properties held for development and resale						
Revenue	45,382	39,824	36,311	21,988	7,498	**–**
Cost of Sales	28,532	24,017	24,258	13,939	6,531	**–**
Earnings before corporate charges	37,564	36,523	17,750	23,189	39,788	**45,597**
Corporate charges						
Administration	10,444	16,891	8,924	15,586	19,921	**23,290**
Large Corporations Tax	2,414	2,881	1,913	3,246	3,600	**3,546**
Deferred income taxes	10,221	6,306	(8,652)	(12,678)	5,406	**11,761**
Provision for loss on technology	–	–	–	29,837	(692)	**–**
	23,079	26,078	2,185	35,991	28,235	**38,597**
Net Earnings (Loss) from continuing operations	14,485	10,445	15,565	(12,802)	11,553	**7,000**
Net Earnings (Loss) from discontinued operations, net of tax [(1)]	–	–	–	–	23	**751**
Net Earnings (Loss) for the period	14,485	10,445	15,565	(12,802)	11,576	**7,751**
Earnings loss per share - fully diluted	0.31	0.21	0.31	(0.25)	0.23	**0.15**
Funds from operations	51,251	54,928	34,724	57,941	62,958	**69,527**
Funds from operations per share - fully diluted	1.11	1.12	0.71	1.15	1.27	**1.39**
Rental Interest Coverage	2.16	1.99	1.98	1.91	1.86	**1.92**
Rental Interest Coverage (excl. gains)	1.79	1.72	1.66	1.79	1.85	**1.92**

(1) Fiscal periods ending prior to Jan. 1, 2002, were not retroactively restated in accordance with CICA handbook section 3475, disposal of long-lived assets and discontinued operations, for disposals on or after Jan. 1, 2003.

Five Year Summary

(Cdn$ Thousands, except per share amounts)

	1999	2000	7 Months ending Dec 31, 2000	2001	2002	**2003**
Assets						
Revenue producing properties	1,113,876	1,318,658	1,325,715	1,381,541	1,604,277	**1,713,171**
Properties held for resale	29,771	6,365	6,692	6,630	7,038	**7,493**
	1,143,647	1,325,023	1,332,407	1,388,171	1,611,315	**1,720,664**
Other assets	57,153	73,005	111,427	101,120	97,175	**82,716**
Total assets	1,200,800	1,398,028	1,443,834	1,489,291	1,708,490	**1,803,380**
Mortgage payable	867,757	1,009,526	1,034,444	1,108,406	1,307,177	**1,387,067**
Other liabilities	97,057	102,689	108,016	95,901	99,568	**107,811**
	964,814	1,112,215	1,142,460	1,204,307	1,406,745	**1,494,878**
Shareholder's equity	235,986	285,813	301,374	284,984	301,745	**308,502**
Total liabilities and Shareholders' equity	1,200,800	1,398,028	1,443,834	1,489,291	1,708,490	**1,803,380**
Common shares outstanding (000)	46,555	49,240	49,259	49,404	50,109	**50,868**
Share price Year end ($)	16.00	12.55	11.50	11.58	15.18	**17.92**
Market capitalization ($Mm)	0.745	0.618	0.566	0.577	0.761	**0.912**
Number of units	22,467	25,070	24,856	25,889	29326	**31239**
Real estate asset value per unit	49	53	53	53	55	**55**
Mortgage payable per unit	39	40	42	43	45	**44**
Net rentable square feet (000)	18,810	20,762	20,721	21,590	24,970	**26,353**
Real estate asset value per square foot	58	64	64	64	64	**65**
Mortgage payable per square foot	46	49	50	51	52	**53**
Average net rentable SF per unit	837	828	834	834	852	**844**
Mortgage weighted average interest rate	6.33%	6.29%	6.27%	6.15%	5.88%	**5.68%**

This annual report contains forward looking statements based on current expectations that include a number of business risks and uncertainties.

The factors that could cause the results to differ materially , include but are not limited to national and regional economic conditions.

Quarterly Results

(Cdn$ Thousands, except per share amounts)

	Q1	Q2	Q3	Q4	Year ended Dec 31, 2003
Total Revenues					
Revenue producing properties					
Rental income	65,707	66,675	68,717	69,893	270,992
Operating Expenses					
Revenue producing properties	8,238	8,141	8,624	8,816	33,819
Property Taxes	6,513	6,376	6,702	6,626	26,217
Utilities	10,233	8,061	6,851	9,591	34,736
Financing costs	19,637	20,171	20,123	19,926	79,857
Amortization	12,175	12,442	12,973	13,176	50,766
	56,796	55,191	55,273	58,135	225,395
Operating earnings before corporate charges	8,911	11,484	13,444	11,758	45,597
Cash flow before corporate charges	21,086	23,926	26,417	24,934	96,363
Sales of properties held for development and resale					
Revenue	–	–	–	–	–
Cost of Sales	–	–	–	–	–
Earnings before corporate charges	8,911	11,484	13,444	11,758	45,597
Corporate charges					
Administration	5,852	5,826	5,857	5,755	23,290
Large Corporations Tax	822	1,018	828	878	3,546
Deferred income taxes	1,471	2,085	1,613	6,592	11,761
Provision for loss on technology	–	–	–	–	–
	8,145	8,929	8,298	13,225	38,597
Earnings (Loss) from continuing operations	766	2,555	5,146	(1,467)	7,000
Earnings (Loss) from discontinued operations, net of tax	751	–	–	–	751
Net Earnings (Loss) for the period	1,517	2,555	5,146	(1,467)	7,751
Earnings per share					
- fully diluted	0.03	0.05	0.10	(0.03)	0.15
Funds from operations	14,412	17,082	19,732	18,301	69,527
Funds from operations per share					
- fully diluted	0.31	0.34	0.39	0.36	1.39

Market Information

SOLICITORS

Stikeman Elliott
4300 Bankers Hall West
888 – 3 Street SW
Calgary, Alberta T2P 5C5

Butlin Oke Roberts & Nobles
100, 1501 - 1 Street SW
Calgary, Alberta T2R 0W1

BANKERS

Toronto Dominion Bank
355 – 4 Avenue SW
Calgary, Alberta T2P 0J1

AUDITORS

Deloitte & Touche LLP
3000, 700 – 2 Street SW
Calgary, Alberta T2P 0S7

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Our Transfer Agent can help you with a variety of Shareholder related services, including change of address, lost share certificates, accounts consolidation and transfer of stock.
600, 530 – 8 Avenue SW
Calgary, Alberta T2P 3S8
Telephone: 403.267.6800

CORPORATE COMMUNICATIONS

Shareholders seeking financial and operating information may contact:
Paul Moon, Director of Corporate Communications
Telephone: 403.531.9255
Facsimile: 403.261.9269
Website: investor.bwalk.com
Email: investor@bwalk.com

ONLINE INFORMATION

For an online version of the current and past annual reports, quarterly reports, press releases and other corporate information, please visit our investor website at investor.bwalk.com. Using this website, you may also sign up to receive future press releases and corporate news via email.

SPECIAL MEETING

The Special Meeting of the Shareholders and Optionholders of Boardwalk Equities Inc. will be held at the Calgary Petroleum Club, 319 – 5 Avenue SW, Calgary, Alberta, at 3:00 pm MST on April 28, 2004. Shareholders are encouraged to attend and those unable to do so are requested to complete the Form of Proxy and forward it at their earliest convenience.

EXCHANGE LISTINGS

The Toronto Stock Exchange

TRADING PROFILE

TSX: Jan. 1, 2003, to Dec. 31, 2003
High: $18.15
Low: $14.20
Year-end Closing Price: $17.92
Volume: 24,753,783

NYSE: Jan. 1, 2003, to Dec. 31, 2003
High: $13.95 (U.S.)
Low: $9.31 (U.S.)
Year-end Closing Price: $13.83 (U.S.)
Volume: 5,304,900

2003 Trading Range

Quarter	High (TSX)	Low (TSX)	High (NYSE)*	Low (NYSE)*
Q1	$15.27	$14.20	$10.10	$9.31
Q2	$15.26	$14.40	$11.40	$9.91
Q3	$15.97	$14.80	$11.66	$10.54
Q4	$18.15	$15.17	$13.95	$11.36

*effective February 23, 2004, Boardwalk's common shares no longer trade on the NYSE as per the Company's voluntary de-listing.

Corporate Information

BOARD OF DIRECTORS

Paul J. Hill(1), *Chairman of the Board*
Regina, Saskatchewan

Ernest Kapitza(1)(3)
Calgary, Alberta

Sam Kolias
Calgary, Alberta

Van Kolias
Calgary, Alberta

Jon E. Love(2)
Toronto, Ontario

Al W. Mawani(1)
Thornhill, Ontario

David V. Richards(1)(2)
Calgary, Alberta

Kevin P. Screpnechuk
Calgary, Alberta

Michael D. Young(2)(3)
Dallas, Texas

(1) Member of the Audit and Risk Management Committee

(2) Member of the Human Resources and Compensation Committee

(3) Member of the Corporate Governance Committee

OFFICERS AND SENIOR MANAGEMENT

R. Douglas Biggs
Vice President, Legal Affairs

William Chidley
Senior Vice President, Corporate Development

Jean Denis
Vice President, Quebec Acquisitions

Manjeet Dhillon
Vice President and Controller

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

Michael Guyette
Vice President, Technology

Mike Hough
Senior Vice President

Sam Kolias
President and Chief Executive Officer

Van Kolias
Senior Vice President, Quality Control

Helen Mix
Vice President, Human Resources

Shaun Renneberg
Vice President, Capital Projects

Lisa Russell
Vice President, Western Acquisitions

Kelly Sadiura
Vice President, Customer Services and Process Design

Kevin P. Screpnechuk
Senior Vice President, Rental Operations

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